

Introductory Comments

Welcome to the latest edition of the IUHF *Newsletter*.

One of the best ways of keeping up-to-date with what is going on in the world of international housing finance is attending conferences and to some extent this is a "conference special" edition of the *Newsletter*. Following on from the success of the World Congress in Brussels last year, we now have news of the next World Congress, which will be taking place in Canada next year. We also have eyewitness reports from the 8th Central European Covered Bond Conference and the 2nd European Mortgage Federation Annual Conference; it is well worth visiting the websites named in the articles to fully absorb the information imparted at these events. For those looking for a more general analysis of housing finance systems and principles from around the world don't forget the Wharton School Seminar on Improving Housing Finance Systems taking place this June.

We also have a set of interesting written articles however. We are delighted to have the thoughts of Philip Williamson, talking about the growth of Microfinance in one of the poorest countries in

the world, Mali, which Philip visited recently. We also have an article about the spreading of best practice in America on affordable housing and building sustainable communities, by Troy Anderson of KnowledgePlex.

Finally, we also have news of moves to integrate the very separate mortgage markets that currently exist within the European Union. The European Commission has recently published its Forum Group report with 48 recommendations for bringing down the barriers between the different European markets. While some wait for bureaucrats to act, new IUHF member Quion is already offering the ability to undertake cross-border activity into the Dutch market.

Don't forget that you can contribute to the *Newsletter*. The *Newsletter* is a way of enabling members to stay in touch with each other and we need your contributions to achieve this. If you would like to see your own article published in our next, July 2005, edition of the *Newsletter*, please send the material to acoles@housingfinance.org or kbaker@housingfinance.org by 15 June 2005. We look forward to hearing from you!

Microfinance in Mali and Burkina Faso

By Philip Williamson, Chief Executive, Nationwide Building Society

As a previous VSO student who specialised in the economics of under-developed countries whilst at University, I have always had a keen interest in supporting the developing world. Early in 2004 I was invited to chair the Corporate Forum for International Service, a leading non-governmental development agency working in amongst other places, Mali and Burkina Faso in West Africa. I have recently (mid-February 2005) returned after a brief visit looking at IS's Microfinance initiatives.

2005 is the UN year of Microfinance. The success Microfinance Institutions (MFIs) have had in reducing poverty, empowering women and building inclusive market networks has been stunning and has made Microfinance a key aspect of gender and development interventions. The

remarkable results achieved by MFIs not only in reducing poverty and empowering women, but also in radically altering accepted wisdom on credit provision to the poor, have earned the epithet "The Microfinance Revolution".

Microfinance is a major aspect of International Services' interventions in West Africa. IS also understand that the key to Microfinance's success is that it is a holistic approach to poverty, which recognises that there are more facets of poverty than restricted financial resources. Hence, IS takes a human rights based approach to



Microfinance, working in partnership with organisations which emphasise training, group involvement and gender sensitising as much as loans and savings.

Microfinance is the provision of small loans to those previously excluded from the banking sector because of their poverty or lack of collateral. With these loans, clients can start up a business, invest in new 'technology' (for example a bigger pot), have a source of cash throughout the year even if their business is seasonal and have access to an individual source of income. Microfinance promises to be a sustainable development as it helps people to help themselves and forge their own space within their own culture and market.

Examples from all over the world show what remarkable things can be achieved from even a small loan. Myriad businesses can be built up, not only increasing income and employment opportunities, but also empowering people to better control their own situation. There may also be benefits from economies of scale and greater profits being channelled back into the development of the community or children's health and education.

IS's Microfinance clients in Mali and Burkina Faso engage in a wide variety of income generating activities. These may include a copy bureau, a fruit stall at the market, hairdressing or even a phone service. The loan may also allow clients to upgrade their business, from a street seller to having a market stall, or from a market stall to a shop.

One of the most interesting aspects of my visit to Mali is the way in which the vast majority of Micro finance initiatives target women. Why is this? There are two answers – not only are they the best



Fati Manly runs a successful market gardening business.

customers, they invest their loans in the well-being of their family and their community.

The pay back rate for female clients of MFIs worldwide averages out at 98% (for men, it's around 60%). This is a pay back rate which may well be the envy of many commercial enterprises. Women also reinvest the profits made from their enhanced businesses, or parts of the loan itself, into the welfare of their families. There is a strong correlation between mother's participation in Microfinance and the likelihood of children going to and staying in school. This is not only because of their increased income, but also because of the value they recognise in training and education after participating in the MFI.

One of the most successful MFI initiatives in Burkina Faso is run by Buayaba, a local NGO initially created in 1995 by a group of women with a basic wish to maximise their potential in society.

So far Buayaba has helped 14 village groups to set up a village bank, each one composed of 30 women, with a total of 420 clients. Each village has a management committee which has received training from Buayaba in credit management and group organisation. The idea is that when the three-year programme has finished, the banks will



have sustainable funds and be run by the management committee. Instead of needing to provide collateral and deposits to obtain credit, the women form solidarity groups composed of six women which guarantee that each member will repay their loan. Buayaba also helps each member to work out their current and projected cash flow in order to work out how much they can afford to borrow and to plan their repayment. The credit scheme is now in its second six-month cycle and has helped the women to meet the costs of school fees and medical care for their families.

Fati Manly runs a successful market gardening business thanks to a loan from the IS programme. With four children to support and her husband absent, Fati is one of many women in Burkina who must support their family alone. The location of her plot near the lake in Fada allows her two harvests: in the rainy season Fati cultivates corn, okra and tomatoes while in the dry season she plants onions, lettuce, carrots and cabbage. Fati took a loan of £50 last year to buy seeds and fence off her garden to protect it against straying cattle and pigs and this year borrowed £100 to extend her plot and plant 30 more beds.

Microfinance has real potential to be a sustainable tool in the fight to alleviate poverty in Mali and Burkina Faso. It provides an essential step forward in assisting the poor and creating a larger cash economy. Given the opportunity and training there is plenty of evidence to suggest the poor can save and lead to the generation of wealth into the economy. There is still much to do but the groundwork is already underway and the horizon looks a great deal brighter than it did in the past.

For more information go to
<http://www.internationalservice.org.uk>

Also see the article on Housing Microfinance in the September 2004 edition of *Housing Finance International*.

Philip Williamson is Chief Executive of Nationwide Building Society, President of the European Mortgage Federation, and Deputy Chairman of the Building Societies Association in the UK.

Quion Breaking Barriers – or the alternative way to gain access to the Dutch residential mortgage market today

By Wim Cassée



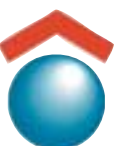
*Wim Cassée, Director, Development & Organization,
Quion Group.*

Internal Market

The European Union is based on the principle of free transfer of capital, labour, goods and services. This principle is essential in order to make the Internal Market work. The mortgage market in the Union forms a substantial part of the European economy. The value of outstanding residential mortgages stood by the end of 2002 at €4,000 billion measured over the 15 Member States at that time.

In late 2004 the Forum Group on Mortgage Credit published its recommendations to the Commission of the European Union (see *page 7 for more details*). This Forum Group had to identify the barriers that prevent the establishment of an integrated European mortgage market and the smooth functioning of the Internal Market, to assess the impact of these barriers and to make recommendations to tackle such barriers.

The Forum Group came up with 48 recommendations to stimulate harmonization.



Though one single European mortgage market is the ultimate goal, the fact is such process will take years. In the meantime cross border barriers seem to stay and frustrate the working of the Internal Market.

On the other hand: are Danish customers capable and willing to borrow from Greek lenders? Are Austrian banks really interested in obtaining individual Irish residential mortgages? Financial institutions interested in expanding in other national markets probably will use their 'European Financial Passports' to open branches or subsidiaries in other Member States, or acquire local institutions instead of the offering of individual cross border mortgages.

This traditional way of entering foreign markets is often an expensive way. One is in need of, for example, distribution capacity, mid- and back office applications, knowledge of the local customs, rules etc. Such issues make financial institutions reluctant to cross borders, but there are more options. Specialized third-party servicers facilitate financial institutions in their cross border lending into the Dutch market. Quion is a servicer knowing the market, its products, its rules and having access to several distribution networks. So the infrastructure to become active in the Dutch market is available and already in place. Quion therefore thinks harmonization is not the only way to establish a level playing field.

Unbundling in the Netherlands

The Dutch market is, after the US and UK markets, characterized as one of unbundling the mortgage process. This process started in the 1970s in the Netherlands when intermediaries started to take over the relationship with customers from the banks. At the same time pension funds entered the residential mortgage market. In 1985 the first franchise formula entered the market, specialized in the distribution of residential mortgages. As the rise in demand by non-traditional mortgage lending institutions expanded in the Dutch mortgage market, Quion was formed in 1993. This coincided with an increase in the number of mortgages being underwritten by intermediaries and the emergence of general demand for specialized originators and servicers of mortgage loans.

Quion has been offering third party servicing since 1994, along with origination and underwriting services. The company originates and acts as a servicer for loans that are funded by different institutions that utilize Quion's "Generic Funding Model", whereby lenders compete on interest rates for borrowers that fit pre-agreed underwriting criteria. The loans are not held on Quion's balance sheet and are "owned" by the lenders. Under this funding model, a pool of different lenders ("funders") is connected with different distribution partners, eg sales channels of insurance companies, and offer similar mortgage products but compete with each other on interest rates. Quion acts as an intermediary, matching each mortgage loan applicant with the lowest interest rate offered by the funders in the pool. This model offers new entrants like foreign (mortgage) banks easy access to the Dutch mortgage market.

In 2002, Quion expanded its services with its "Specific Funding Model", through which funders can customise the mortgage products and mortgage loan criteria to their own specifications. Of course there will need to be a match with the requirements of the distribution partner, which actually sells mortgages in the market place. This model is also used by insurance companies to sell insurance products through mortgage loans. As a result of the two models with which it operates, Quion plays several roles, as an intermediary, a servicer and as originator for the loans originated with the Generic Funding Model. Cash flows stream directly to lenders due to the principle of direct debit. Thus these monies are not transferred through Quion's own books, which mitigate lenders' risks.

Level Playing Field

Certainly, harmonization is a key factor in facilitating a level playing field. However this takes time, probably years. Until such time different ways lead to the envisioned effect. When access is offered to a foreign market through third-party servicers who know the local rules and also offer marketing and distribution, why wait for harmonization of legislation? The Dutch mortgage market is mature and has low entry barriers due to the various distribution channels. The intermediaries are mostly part of independent distribution chains and have taken over banks' advisory role to customers. The

internet improves the transparency of pricing. However the sale of mortgages is mostly carried out by face-to-face contact with the borrower - especially due to the fact that the mortgage products are developed also as part of individual tax planning. Together with the servicing infrastructure the Dutch market forms a level playing field for parties who like to have Dutch residential mortgages in their books.

Quion's activities are organized among separate legal entities, all operating under its holding company Quion Groep B.V. All activities relating to servicing and the intermediary role in the Generic Funding Model are carried out by Quion Hypotheekbemiddeling BV ("Quion Mortgage Intermediation"), whilst Quion Hypotheekbegeleiding BV ("Quion Mortgage Servicing") is responsible for the servicing of mortgage loans in the Specific Funding Model. Arrears and foreclosure management and any other special tasks, eg special reports or administrative consultancy, are performed by Quion Services BV ("Quion Special Services"). The primary reason for the legal separation of these various activities is in order to separate taxable and non-taxable activities. Since financial intermediation and money transfer are exempt from VAT, and given that intermediation is the key activity in the Generic Funding Model, all activities in Quion Mortgage Intermediation are exempt from VAT. Similarly, the key activity of Quion Mortgage Servicing is money transfers and these are therefore also exempt. All activities that are liable to VAT are carried out by Quion Special Services.

Entering the Dutch market is easy. It is also possible to opt out if in the end it does not fit anymore in the lender's strategy. Under the Generic Funding Model it is quite easy to transfer a residential mortgage portfolio to another party which is also participating in such a Model. Besides there is the possibility of structuring the portfolio into RMBS Notes. In 2003 a total of 10 billion euro worth of RMBS notes were issued on the entire Dutch market.

Dutch Market

In the Netherlands the total value of outstanding residential mortgages was, at the end of 2003, €389 billion. In 2004 the amount of mortgages newly registered was €96 billion, of which almost half was

new issued. By the end of last year Quion was managing 67,000 mortgage loans with a gross book value of €8.7 billion. In the same year Quion originated for its lenders more than €2.9 billion, which was an increase of market share for more than 35%.

In 2003 the average mortgage issued was €177,600. The average house price was €232,000 by the end of 2004. The Netherlands has a low owner occupancy ratio of 52% versus the EU with a ratio of 60% in 2002. However, the Dutch market is characterized by a high mortgage-debt-to-GDP Ratio of 86%. Default losses are low due to the low mobility of the Dutch, the high conveyance fees and taxes and the extensive knowledge the lender has of its customers. Prepayments are low due to severe prepayment penalties.

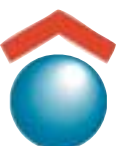
Though the commercial banks are still the dominant players on the Dutch mortgage market, times are changing. Over the last two years foreign parties, such as Bank of Scotland, GMAC and Argenta, have entered the Dutch market and gained market share. These parties are able to offer more affordable loans to the public due to the fact they, for example, might have lower funding costs. With regard to international developments (IFRS, Basel II etc.) Quion believe the Dutch market offers room for more lenders - especially since new entrants do not have to invest in systems, infrastructure, distribution and services, since these are already in place. It is just a matter of 'plug and play'.

Conclusion

Harmonization of legislation in the European Union will take years to facilitate a level playing field for cross border residential mortgages. Entrance to local markets should be as simple as plug and play. Third-party servicers such as Quion facilitate a level playing field already today.

More information from www.quion.com

Wim Cassée is director Development & Organization of Quion Group, a third-party servicer specialized in distribution, underwriting, primary- and special servicing of residential mortgages in the Netherlands.



Opening Doors to a Virtual Community

By Troy Anderson, Managing Director for Knowledge Initiatives,
Fannie Mae Foundation

When Stacey D. Stewart, president and CEO of the Fannie Mae Foundation, developed the idea for KnowledgePlex® (www.knowledgeplex.org), she saw a need for an interactive resource that would enable affordable housing and community development (AHCD) practitioners and policy-makers who work in and affect the field to effectively and efficiently share knowledge, gain quick access to information, and build relationships.

Revitalizing communities requires a commitment to working together. Furthermore, community leaders face the enormous responsibility of working to build affordable homes, safer streets, quality schools, and stronger neighborhoods. Without adequate knowledge and information, the scope of this challenge becomes even greater.

Part library, part newscast, and part symposium, KnowledgePlex offers one-stop information shopping on AHCD issues. This comprehensive, interactive resource provides daily news, expert discussions, reports, research, and a sector-wide calendar. The first and only resource of its kind, KnowledgePlex gathers pertinent information in a virtual meeting place dedicated to AHCD professionals.

Working with a distinguished panel of two dozen founding partners, the Fannie Mae Foundation created this Web portal to serve practitioners, policy-makers, scholars, investors, and other AHCD stakeholders. Today, nearly 14,000 registered KnowledgePlex users around the world exchange information and discuss AHCD issues every hour, every day.

The model for KnowledgePlex is simple: apply best-in-class web technologies and services in partnership with as many knowledgeable content and service providers as possible. This model ensures a continual push and pull between content developers and content users, which encourages content developers to supply further research and inspires content users to ask deeper questions. This makes KnowledgePlex one of the foundation

world's premier external knowledge management sites and a great resource to its users. The KnowledgePlex Web site, e-newsletter, and other features are free of charge to anyone interested in learning more about AHCD.

KnowledgePlex features include:

Research and Practitioner Studies, Reports, and Publications

KnowledgePlex organizes and presents an up-to-date, comprehensive collection of publications and documents from its partner organizations on topics related to the AHCD field. Users browsing or searching KnowledgePlex will find highly relevant research, case studies, best practices, scholarly articles, opinion pieces, and other materials.

News

KnowledgePlex provides the latest AHCD news stories, pulled from thousands of publications. Top stories are displayed under the News section on the KnowledgePlex home page. In addition, top news stories from the week are compiled in the KnowledgePlex Week in Review newsletter, which is available via e-mail to subscribers of the newsletter. Past issues of Week in Review are available on KnowledgePlex to registered users of KnowledgePlex.

Content Recommendations

When users review documents, reports, or other content on KnowledgePlex, the Content Recommendations feature points to additional content on related topics. This service reduces users' search time and ensures that users see key related items. KnowledgePlex also offers customizable features that tailor information to users' areas of interest based on role or locale.

Discussion Forums

Discussion forums are virtual meeting places where KnowledgePlex users can exchange ideas on specific housing topics. Users also can ask questions of housing experts in online chats or live meetings. They also can partner with peers and troubleshoot problems in ongoing discussions. These forums

allow users to join other professionals to discuss documents, strategies, trends, news articles, or other points of interest.

Extranets

Extranets create communities within communities, enabling users to connect virtually with peers by way of private networks. As a service to KnowledgePlex partners, these extranets allow users to create, share, collaborate, and manage work related to the AHCD field.

Calendar

The KnowledgePlex calendar captures events of interest to AHCD professionals. The information is automatically gathered from a variety of sources several times a week. Registered users of KnowledgePlex also can submit events or sources for consideration by the editors.



European Commission publishes report on boosting the cross-border mortgage market

By Adrian Coles, Secretary General, International Union for Housing Finance

The report of the Forum Group on Mortgage Credit, set up by the European Commission in March 2003, was published in December 2004. It proposes legislative and non-legislative measures to boost the integration of the EU home loans market which, the Commission claims, could lead to more choice and financial savings for consumers and new opportunities for lenders.

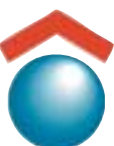
The steps advocated by the Forum Group, which comprised industry and consumer representatives, cover many areas including consumer protection, client credit assessment, mortgage brokers, registration systems, which law should apply in cross border contracts, and the financing of mortgages through capital markets. The Commission will present a Communication by the middle of 2005 with its own views on how the Group's 48 recommendations could be developed into EU policy.

Single Market Commissioner Charlie McCreevy said: "This valuable work by the Forum Group shows that industry and consumer groups can work together. We will act on the fruits of their labour. A mortgage is the biggest purchase most consumers make. So we must

not shrink from the challenge of creating a true single market for home loans. An efficient single market could mean cheaper and better loans for all Europeans, whether or not they obtain their mortgage abroad."

At the end of 2002, outstanding residential mortgage loans in the then fifteen Member States stood at €4 trillion, 40% of GDP. Yet a recent Eurobarometer study showed that only 1% of Europeans, mostly second homeowners or those in border regions, take out a mortgage from another Member State. Reasons include the difficulty of comparing complex products and language and legal barriers, including differences in national provisions on consumer protection, such as early repayment rules.

The Forum Group was unanimous that consumer confidence is a prerequisite for an integrated mortgage market. It concludes that EU legislation should bring into line national rules on early repayment fees and on calculation of real interest rates. The Group considers that confusion about which national law applies to mortgage credit and mortgage deed contracts



when more than one Member State is involved could discourage both lenders and consumers from cross-border mortgage transactions.

The report also asks the Commission to encourage information sharing between Member States in areas such as credit databases and land registration systems. It looks at the potential for newer distribution channels such as the internet to encourage the development of a single market and makes suggestions on existing distribution channels, including a recommendation for a unified supervisory system for mortgage brokers based on registration with an authority in their home Member State.

Finally the Forum Group considered the financing of mortgage lending, calling for a deeper and more liquid secondary market for mortgage funding. It recommends equal access to securitisation for lenders in different jurisdictions, with protection of that securitisation if a lender goes bankrupt, and rules allowing cross-border pooling of mortgage collateral.

In parallel with the Forum Group exercise, the Commission has launched research on the



Single Market Commissioner, Charlie McCreevy.

economic costs and benefits of further integration of the mortgage market.

The full report is at:

http://www.europa.eu.int/comm/internal_market/finservices-retail/home-loans/index_en.htm

European Conference News

Two key conferences were held in the Autumn of 2004, providing between them a wide range of information on developments in the European mortgage markets.

THE 8TH CENTRAL EUROPEAN COVERED BOND CONFERENCE

200 conference participants. International atmosphere. Representatives from 30 countries. Exchange of information about covered bonds. Interesting presentations about the growing use of covered bonds in the new EU-countries.

These are only a few of the words describing the 8th Central European Covered Bond Conference which took place in Copenhagen in October 2004 hosted by the Association of Danish Mortgage Banks (Realkreditrådet). This report was prepared by Realkreditrådet.

Covered bonds in Europe experience strong growth

The integration of financial markets in Europe moves quickly. So does the development and the spreading of methods to finance loans against mortgage in real property. The figures clearly show the position. For the past five years, covered bonds have emerged as the most important segment of privately issued bonds on Europe's capital markets, with the volume outstanding at the end of 2003 amounting to over EUR 1.5 trillion. This volume is concentrated in Germany, Denmark and Sweden. The mortgage bonds covered by public-sector loans amount to 2/3 of the volume outstanding with the other 1/3 stemming from mortgage bonds covered by mortgage loans.

The use of covered bonds won't stop here – neither geographically nor as for volume.

New covered bond geography in Europe

The opening of the European mortgage sector from the Central and Eastern European countries is a very important source of stimulus for the evolution of covered bonds and housing finance in the EU. Countries like the Czech Republic, Slovakia, Latvia, Hungary, Poland and also Russia have the challenge of being at an early stage of the development of their housing finance systems. Banking laws, securities regulation and financial markets play an important role in the development of their housing finance systems. This development has certainly created a new and interesting covered bond geography in Europe.

The Copenhagen Conference 2004

At the conference in Copenhagen in October 2004 200 representatives from 30 countries took part. During two days more than 10 perceptive speakers gave presentations on covered bonds.

The participants were in a position to get an interesting update of the geographical spread of covered bond legislation in Europe and the new legislative steps that have been taken since the 7th Central European Covered Bond Conference was held in Berlin in 2003. This encompasses new legislation in, for example, Lithuania, Latvia, Poland and Russia.

From different covered bond perspectives the participants heard:

- that the first plans to set up data bases of the Polish real estate market have been introduced by the Polish Banking Association and that financial supervision is clearly progressing,
- that growth in Hungarian mortgage products is dynamic and covered bonds are now the 2nd biggest category of fixed income instruments,
- what levels of regulation exist in the Latvian regulation on insolvency and bankruptcy of, for example, the mortgage bond cover and,
- how the Danish balance principle and its prepayment structure works in practice.

Conference host Realkreditrådet was very satisfied with the great variety of new impressions on covered bonds from all across Europe. Torben Gjede, Director General, puts it this way:

“Of course, we are happy to see that structures and regulations around the covered bond

landscape are improving in many senses. We are already looking forward to the next and 9th Central European Covered Bond Conference in 2005 that hopefully takes place in Ljubjana, Slovenia.

“I think this coming conference will prove evidence of a European covered bond market that has gained even more strength”.

Presentations from the conference in Copenhagen 2004 can be found on Realkreditrådet's English version of its website (www.realkreditraadet.dk).

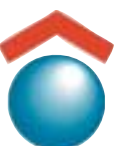
The background for the Central European Bond conference

Several of the Central and Eastern European countries have been inspired by covered bonds and the financing methods known from more well-established housing finance systems eg Germany and Denmark. In these countries the introduction of covered bonds for financing of homes in the Central and Eastern European countries is followed intently.

The Association of German Mortgage Banks (Verband Deutscher Hypothekenbanken) took the initiative to hold the first Central European Covered Bond Conference in Warsaw in 1997. The conference was very successful and it was decided to repeat it every year. Since then different European capitals have hosted the conference.

THE 2ND EUROPEAN MORTGAGE FEDERATION ANNUAL CONFERENCE

The EMF conference, held on 24 and 25 November, was officially kicked off by Judith Hardt, Secretary General of the EMF, who welcomed participants. The first day was devoted to covered bonds showing, in the light of the article above, what an influence this instrument is now having in Europe. This article, prepared by EMF staff, highlights some of the key contributions. The first keynote speaker, Mr. Henning Rasche, Member of the Board of Managing Directors at Eurohypo, gave participants a panoramic overview of the European covered bond markets. Today, covered bonds are enjoying success in the marketplace amongst issuers and investors. The product is used to raise funds at favourable market rates and allows banks with average ratings to access the capital markets at AAA terms. The future is also bright, as 2004 has seen new covered bond legislation come into place and it looks like 2005 will see



the (re)birth of Portuguese and Italian covered bonds, as well as the coming into place of the new Belgian covered bond legislation.

Nick Morgan, Co-Head of Financial Institutions Group at Dresdner Kleinwort Wasserstein, gave an excellent exposé of the main topics relating to covered bonds at the moment (credit features, structures, different jurisdictions and more frequent issuers, cross-fertilisation and comprehensive revamping in some countries) and what would help the market going forward. Mr. Morgan outlined three main points: (1) more effort is needed towards standardisation (transparency, more frequency of reporting), (2) improve market practices to bring more order and transparency and encourage investors to have confidence in the market, (3) convergence of credit quality.

The EMF had the honour of welcoming Mrs Pervenche Berès, Chairwoman of the European and Monetary Affairs Committee (EMAC) at the European Parliament, as second keynote speaker of the day. Mrs Berès gave an eloquent account of the role of EMAC within Lamfalussy process as well as the state of affairs of the internal market.

The second day of the conference saw presentations on the Consumer Credit Directive. Mr Stefan Huber, Assistant to MEP Wuermeling, Rapporteur for the European Parliament's (EP) Legal Affairs on the Consumer Credit Directive presented the European Parliament's view on the CCD. Mr Huber focused on the conflict between maximum and minimum harmonisation. The EP believes that maximum harmonisation does more harm than good. Next up was Dr. Dirk Staudenmayer, Head of Unit at DG Sanco, who presented the main lines of reasoning behind DG Sanco's new draft proposal: reducing the scope of the Directive; deleting certain articles to avoid overlap with other Directives and; rejecting amendments from the Parliament, which would reduce consumer protection levels.

Alongside the Consumer Credit Directive, the Commission's Forum Group on Mortgage Credit proved to be the second main focus of the day's discussions, during which conference participants were given a sneak preview of the results of the Forum Group's report, prior to its official publication. Eric Ducoulombier of the



Eric Ducoulombier of the Commission's DG Market, addressing the EMF Conference.

Commission's DG Market, gave an overview of the work carried out by the Forum Group experts over the last 18 months and gave an insight into the next steps. He confirmed that the Commission would release a Communication expressing its reflections based on the Forum Group Report during the second half of 2005. An external cost/benefit analysis of the integration of European mortgage markets will also be carried out in parallel and will investigate whether integration is beneficial in economic terms. At the same time, the Commission plans to set up working groups to explore certain technical issues in more depth.

More details on www.emfconference.org

The new European Covered Bond Council was officially launched during the European Mortgage Federation's annual conference on November. The first plenary meeting of the ECBC took place on 3 February 2005 in Brussels. So far, over 30 institutions have become formal members of the ECBC.

Louis Hagen, of the Association of German Mortgage Banks, was appointed ECBC Chairman. His deputy is Thierry Dufour from Credit Foncier de France.

More information from <http://ecbc.hypo.org/Content/Default.asp>

The Wharton School – Improving Housing Finance Systems, 6-16 June 2005

For many years members of the IUHF have been able to attend the acclaimed Wharton International Housing Finance Programme at a discount, compared to the price payable by non-members of the Union. This year's event - taking place at the Wharton School, University of Pennsylvania between 6 and 16 June 2005 - is no exception.

Once again Wharton have put together a programme of top-class speakers covering every aspect of mortgage finance. Sessions cover innovations and reforms in housing finance, housing markets and policy, loan origination and administration, mortgage

valuation, safety and soundness of financial institutions, access to capital markets, and mortgage lending for lower income groups. Members of the Union attending this event in previous years have universally praised both the lecturers and content of the presentations.

Your copy of this *Newsletter* should have arrived with a copy of the brochure for this event.

More details can be found on <http://housingfinance.wharton.upenn.edu> or through the IUHF web site – www.housingfinance.org

Building Societies Association Annual Conference, 4-6 May 2005

The United Kingdom's Building Societies Association, which is responsible for administering the affairs of the International Union, is holding its annual conference in the Yorkshire town of Harrogate, in northern England, between 4 and 6 May 2005.

The conference has moved away this year from the concentration on regulatory issues that had become a feature of the last few years, and will instead be concentrating on business issues. Sessions cover

mortgage lending, financial services, diversification strategies, fighting financial crime, the political environment, the economic environment, consumer relations, strategies for growth and efficiency, corporate governance, savings policy and the importance of trust in financial services. There are usually a number of overseas delegates at the event; the BSA would be delighted to welcome even more this year.

Further information at <http://conference.bsa.org.uk>

New IUHF Fact Sheets

One of the International Union for Housing Finance's aims is to be a primary source of information for trends and innovations in housing finance and mortgage lending from around the world. The Union has introduced a new series of fact sheets that contributes to that objective.

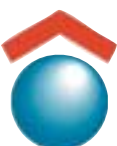
Each one focuses on a different housing market across the globe. The fact sheets cover the main issues relevant to housing and housing finance markets: macroeconomic background, demographics, housing demand and supply, housing finance and government policy and regulation. They are deliberately concise and therefore limited in their scope.

The series starts with Australia, Canada, Poland, South Africa and USA.

To view the fact sheets, please click on http://www.housingfinance.org/Indexes/Factsheet_index.asp

We would like to extend this series of fact sheets. We can do this only with your help. The Union does not have the resources to cover every country in the world itself. If you would be willing to prepare a fact sheet for your country, along the lines of the ones already prepared, please contact acoles@housingfinance.org or kbaker@housingfinance.org

The web site will give full attribution to those helping the Union in this way.



2006 World Congress to be held in Vancouver

The Union is pleased to be able to announce that the next IUHF World Congress, the 26th since the formation of the Union in 1914, is to be held in Vancouver, British Columbia, Canada between 19 and 22 September 2006. The headquarters hotel for this prestigious event is to be the Pan Pacific, further details of which can be found at <http://vancouver.panpacific.com>

The Union is delighted to confirm that its host for this event will be the Canada Mortgage and Housing Corporation, a Union member for many years. CMHC has four basic functions -

- It provides access to affordable options for financing housing by providing mortgage insurance to approved lenders.
- It has made loans and investments in housing programs funded by borrowing in the capital markets and from the Government of Canada.
- It is the major Canadian source of reliable and objective information on national and regional housing issues and international housing markets.

- CMHC International supports housing exporters by promoting Canadian products, services, and know-how in foreign markets. It also provides countries in transition and developing countries with advice and assistance in the area of housing finance and other areas.

Find out more on CMHC on <http://www.cmhc-schl.gc.ca>

Although CMHC has a difficult act to follow, given the high standards reached by the European Mortgage Federation last year in Brussels at the 25th Congress, it is difficult to believe that the Union could have chosen a more appropriate partner for next year's event. The Union's web site will contain all the details of the event as they become available over the next year or so, while the *Newsletter*, and the Union's email alert system, will also keep members and others up-to-date.

We look forward to seeing you in Vancouver in September 2006!



View from the Pan Pacific Hotel, Vancouver.

New members

A warm welcome to two new members of the International Union:

Quion Group, Netherlands – www.quion.com

Office of Thrift Supervision, USA – www.ots.treas.gov