Japan: A Review of Housing Finance Developments

Overview

Historical Background

AFTER World War II, the Japanese government laid political emphasis on the reconstruction of industry. The government encouraged private financial institutions to make business loans for enterprises. Therefore, there were few private financial institutions which provided housing loans to individuals, in spite of a conspicuous lack of housing.

To cope with this housing shortage, the Government Housing Loan Corporation (GHLC) was established in 1950 by the government. Its main purpose was to offer long-term, low-interest housing loans that private financial institutions had difficulty in providing.

At first the GHLC's loans were limited to construction of owner-occupied and rental housing. The loans were not sufficient to meet the demand and to cope with the housing shortage. It thus became necessary to ease the loan conditions and to increase the items for which loans could be made. The GHLC began loans for development of housing sites in 1955, for repair of owned houses in 1963, for purchase of used-houses in 1971 and for second houses in 1987.

This article was prepared for the Housing Finance Committee of the International Union of Housing Finance Institutions by Masahiro Kobayashi from the Plannning & Survey Department of the Government Housing Loan Corporation of Japan.

Following the GHLC, the Pension Welfare Services Public Corporation (PWSPC) was established in 1961 and provided loans for company housing for employees in 1962. The PWSPC began loans for individual houses in 1973.

It was not until the 1960's that private financial institutions began substantially to provide housing loans for individuals. Under the initial terms and conditions of the loans, loan applicants were required to have or make deposits in the financial institutions with which they applied. Moreover, the repayment term was as short as five to six years, and interest rates were high. Since about 1965 the loan terms have been improved in response to the increasing demand for housing loans.

In the 1970's, due to the depression, private financial institutions were not able to make as many business loans as they had been doing. They shifted their emphasis in lending from enterprises to individuals.

In the 1980's, so as to meet the increasing demand for housing loans, private financial institutions increased the volume of housing loans rapidly and at the same time improved loan terms to a large extent. In addition, they began to provide loans for used-houses and for home improvement, and started adjustable-rate housing loans in 1983.

The Present Situation of Housing Finance

Figure 2 shows the outline of housing finance in Japan. Looking at this from the point of view of lenders, they can be divided into two groups. One is a group of public institutions comprising the "Government Housing Loan Corporation (GHLC)", the "Pension Welfare Services Public Corporation (PWSPC)", and local government bodies that offer housing loans to their residents. The other is a group of private financial institutions comprising city banks, regional banks, housing loan companies and others. Others include credit banks, worker's credit associations and so on.

On the other hand, borrowers can be divided into two types. "Individuals" mean people who build or buy their houses and "entrepreneurs" mean landowners or companies that build houses for sale or rent. "Entrepreneurs" include landlords or landladies, and construction and real estate companies.

Table 3 shows changes in the amounts of new housing loans and outstanding loans by institutions. In FY 1966, public institutions loaned 170 billion yen for housing, while private financial institutions loaned 80 billion yen for housing. At that time, the share of private financial institutions was 32.0%. Since around 1970, private financial institutions have increased their share rapidly. In particular, housing loan companies that began their business in the middle of the 1970's have increased their share remarkably. In FY 1989 private financial institutions accounted for 72.6% of all new housing loans.

The total amount of housing loan debt outstanding reached 111 trillion yen, comprising 47 trillion yen for public institutions and 64 trillion yen for private financial institutions, at the end of FY 1989. The share of public institutions was 42.3% and that of private financial institutions was 57.7%.

One of the major differences between public and private housing loans is the interest rate. As of March 1st, 1991, the interest rates for each type of housing loan were as follows: With respect to public institutions, the GHLC: 5.5% (the standard rate of the GHLC), and the PWSPC: 6.15% (the standard rate of the PWSPC). Both of them are fixed-rate housing loans. With respect to private financial institutions, city banks and regional banks: 7.86% (fixed-rate), or 7.8% (adjustable-rate), and housing loan companies: 8.88%. The rates of private financial institutions are usually set at a lower level than the interest rates of business loans.

Public Institutions

The Government Housing Loan Corporation (GHLC)

Business of the GHLC: The GHLC was established in 1950 as the governmental financial institution for housing. Its purpose is to promote housing construction by providing long-term, low-interest housing loans that private financial institutions find difficult to provide.

Figure 3 shows the business of the GHLC. The GHLC provides long-term low-interest loans to individuals and enterprises through commissioned financial institutions. The major part of the funds for these loans is borrowed from the government. The government loans money to the GHLC in accordance with the "Treasury Investments and Loans Program". Funds for this program are raised by the government solely through the postal savings and pension premiums of the people. In the distribution of Treasury Investments and Loans Program Funds, the government has emphasized industrial projects in the past. In recent years, it has shifted its emphasis to the enhancement of social capital in such areas as the improvement of living environments, housing, roads, and improvement of the national welfare.

As of March 1st, 1991, interest on money borrowed from the government is 6.6%, while interest on the loans offered by the GHLC averages 5.5% for low-interest financing. For this reason, the GHLC receives an amount to cover the difference between the interest rates of money borrowed and lent, and to cover the expenses accompanying its loans, from the national Treasury in the form of a subsidy.

The GHLC commissions financial institutions to carry out the lending and collection of funds, and local government bodies to carry out the inspection of construction. Through the commissioned financial institutions, the GHLC offers housing loans to individuals who plan to buy their own houses and enterprises which intend to build houses for sale or rent.

The loans cover a wide range of housing projects. The loans for individuals include: the *Loan for Individual Houses* for the construction of owner-occupied houses, the *Loan for Houses for Sale* for the purchase of houses, and the *Home Improvement Loan* for enlargement and remodeling of a house. In the other category, the loans for enterprises include: the *Urban Redevelopment Loan* for the elimination of slums, the *Rental Housing Loan* for the construction of the high quality rental dwellings and the *Housing Site Development Loan* for housing site development. The interest rates of loans for enterprises are usually higher than those for individuals.

The GHLC engages not only in the loan business, but also other business which includes the issuance of *Housing and Housing Lot Bonds* to promote housing investment, and the provision of *House Loan Insurance* to guarantee private housing loans.

Loan conditions: Conditions on loans vary with the kind of loan. The conditions of the *Loan for Individual Houses* are as follows:

Borrower's qualification: The applicant must live with another household member unless he or she is over 35 years old.

Housing covered by loans: The house which is to be built must meet both the requirements of the Building Standard Law established by the nation, and the Housing Construction Standard established by the GHLC. The GHLC enforces these requirements through draft inspections and field inspections made by commissioned local government bodies, in order to ensure a supply of good quality housing. In addition to this, the floor area of a house shall be between 70 m² - 220m².

Amount of loans: The amount of the loans differs depending on the floor area of a house, the region where the house is built, and the structure of the house. For instance, if an applicant builds a wooden house with 100m² in the Tokyo area, he or she can borrow up to 14 million yen. Premiums can be received if elderly or handicapped persons live together.

Interest on loans: The interest rates are determined depending upon the rate at which the GHLC borrows from the government. However, the upper limit of the standard rate is set at 5.5%.

The interest rate on loans varies according to the floor area of a house. Interest increases from the eleventh year after the beginning of repayment.

Regardless of floor area, a 6.7% annual interest rate applies through the entire period of the loan for those whose annual income exceeds about 12.2 million yen.

Repayment term and method: The repayment term varies depending on the structure of a house. The term for wooden structures is 25 years, while that for fire-proof structures is 35 years. If repayment is made by a parent and his or her child in turn, its term may be 40 or 50 years. The repayment method involves uniform monthly payments on the principal and interest, or monthly payments on the uniformed principal and interest on the principal balance. A system of gradual increase of repayment which lowers the repayment amount for the first five years has been introduced to reduce the burden on the younger generation.

Business results of the GHLC: From its establishment up until the end of FY 1989, the GHLC has financed 11.43 million units, which makes up about 27% of Japan's entire housing stock. The GHLC's outstanding loan debt amounted to 37 trillion yen at the end of FY 1989. Though the GHLC has loaned such huge amounts of money, the rate of delinquent loans to all loans is very low, 0.57% at the end of 1990. The GHLC made 22.0% of the new housing loans made in Japan in FY 1989, and outstanding loans reached 33.3% at the end of FY 1989. (Table 3)

Through its financing, the GHLC fulfils an important role in achieving the quantitative housing goals set by the government in the Five-year Housing Construction Programs. The GHLC also contributes to the improvement of housing standards through its loans and housing inspections. It promotes the construction of good-quality housing units and works to assure the supply of good-quality reasonably priced housing. Furthermore, especially since the first oil crisis in 1973, the GHLC has played an important role in balancing the country's business conditions, because of the highly pervasive effect of promoting housing construction.

The Pension Welfare Service Public Corporation (PWSPC)

The PWSPC was established in 1961 by the government. Its main purpose is to promote welfare service for the insured pensioners and their families of the National Pension Scheme and the Employees' Pension Insurance Scheme, by making loans, building recreational facilities and the like.

At its establishment, the major business of the PWSPC included making loans for company houses for employees, and offering loans to welfare facilities and medical facilities. The PWSPC expanded its business to loans for individual houses in 1973, and small loans to pensioners in 1975. Today, loans for individual houses account for about 90% of all loans the PWSPC makes.

In FY 1989 the PWSPC made loans for 163 thousand housing units, an amount totalling about 1 trillion yen. The amount of housing loan debt outstanding reached 6.7 trillion yen at the end of FY 1989. (Table 3)

The PWSPC also depends on funds from the *Treasury Investments and Loans Program*. Like the GHLC, the PWSPC receives an amount which covers the difference between the interest rates of money borrowed and lent, from the nation's *Special accounting for the National Pension Scheme* and the *Employees Pension Insurance Scheme*.

The PWSPC provides two types of housing loans: one is loans to companies for their employees' houses, and the other is loans for individual houses. The loans for individual houses includes a loan for construction of a house, a loan for purchase of a house, a loan for improvement of a house and so on. The main conditions for loans for the construction of a house are as follows:

The amount of loans differs depending upon how long the applicant has paid the premium for the pension scheme. It also changes depending on which pension scheme the applicant joins. The amount, however, cannot exceed 80% of the con-

(As of March 1st, 1991)

Floor Area (per unit)	Interest Rate (Year)	
	Initial 10 years	From the 11th year
Over 70 m^2 Under 125m^2	5.5%	6.7%
Exceed 125m^2 Under 155m^2	6.15%	6.7%
Exceed 155m^2 Under 220m^2	6.7%	

struction cost of the house.

The rate of interest on loans varies according to the floor area of a housing unit. The rates of interest are as follows:

(As of March 1st, 1991)

Floor Area (per unit)	Interest Rate (Year)
Over 70m² Under 125m²	6.15%
Exceed 125 m² Under 155m²	6.4%
Exceed 155m² Under 220m²	6.7%

Local Government Bodies

Local government bodies provide their residents not only with public housing, but also with housing loans. In FY 1989, the amount of new housing loans by local government bodies was estimated at 360 billion yen, which accounted for about 1.2% of all public funds. (Table 3).

According to the *Private Housing Situation Survey* conducted by the Ministry of Construction in 1983, 305 out of 398 local government bodies offered housing loans for their residents. Those loans are roughly divided into the next three types in terms of loan methods:

The "direct loan": The loan is provided directly to borrowers by local government bodies.

The "indirect loan": the loan is offered to borrowers through financial institutions which make loans on the basis of the deposit that local government bodies place.

The "interest subsidy": The local government gives interest subsidies to borrowers who get housing loans from private financial institutions.

More than 70% of the loans by local governments are "indirect loans" and "interest subsidies". "Direct loans" account for less than 30%, most of which are loans for elderly or handicapped people.

Though the conditions for loans are different depending upon local government bodies, an outline of them follows: an applicant for the loan must be a present and future inhabitant in the area governed by the local government. Usually the local government limits the income of an applicant to a certain amount. The interest rates for the loans are low. Some local governments provide loans, especially direct loans, at lower interest rates than the GHLC or PWSPC. They also set the maximum loan amounts, including the amount that an applicant can borrow from the GHLC, since many applicants borrow money from both local governments and the GHLC.

Private Financial Institutions

Banks

City banks and regional banks: Among private financial institutions, city banks and regional banks have played an important role in housing finance. The distinction between city banks and regional banks is not a legal one, but it has become customary for the purpose of administration and statistics.

City banks operate on a large scale with headquarters in major cities and branch offices covering the whole country. They are engaged mainly in business loans, especially to large corporations. However, these days, they have laid emphasis on loans to middle-sized enterprises and individuals, because demand for funds from large corporations has declined.

In this situation, city banks have increased their volume of housing loans rapidly. In FY 1989 they loaned 7.1 trillion yen, which comprises 24.7% of the total housing loan values provided by both public and private institutions. (Table 3)

On the other hand, regional banks are usually based in the principal city of a prefecture and conduct the majority of their operations within the prefecture. They have strong ties with local enterprises and local government bodies. Their client base consists of small and medium-sized en-

Table 1

Changes in the number of housing units and households

Item		Fiscal year					
		1963	1968	1973	1978	1983	1988
Population	10,000 persons	9,616	10,141	10,871	11,517	11,948	12,278
Total households	1,000 households	21,821	25,320	29,651	32,835	35,197	37,851
Total housing units	1,000 units	21,090	25,591	31,059	35,451	36,607	42,036
Owner-occupied houses	1,000 units	13,093	14,594	17,007	19,248	21,650	22,981
Owner-occuped houses ratio	%	64.3	60.3	59.2	60.4	62.4	61.4
Rental houses	1,000 units	7,279	9,604	11,724	12,689	12,951	13,950
Vacant houses	1,000 units	522	1,034	1,720	2,679	3,302	3,940
Vacancy Ratio	%	2.5	4.0	5.5	7.6	8.6	9.4
Under construction	1,000 units	196	359	508	655	704	1,165
Housing per household	Units	0.97	1.01	1.05	1.08	1.10	1.11

Source : Statistics Bureau, Management and Coordination Agency.

terprises.

Like city banks, regional banks have also emphasized loans for individuals, such as housing loans. In FY 1989, regional banks made 3.2 trillion yen of housing loans, which accounted for 11.1% of the total housing loan values provided by both public and private institutions. (Table 3)

Conditions of loans: Both city banks and regional banks provide financing for the construction of a house, the purchase of a house, and the improvement of a house. There is not much difference in the conditions for loans between the housing loans of city banks and of regional banks. The typical conditions of both loans are as follows:

Amount of loans: Loan amounts vary from bank to bank, but the uppermost limit is set at around 30 million yen. In addition to this limit, the loan amount which an applicant can borrow is determined by his or her annual income. Usually, the annual repayment of a loan must be within 30% to 40% of the applicant's annual income.

Interest on loans: The average rate of interest on loans is 7.86% for fixed-rate loans and 7.8% for adjustable-rate loans as of March 1st, 1991. Adjustable-rate loans were started by city banks and regional banks in 1983 so as to avoid the risk from changes in the interest rate.

Repayment term and method: The repayment term is 25 years for fixed-rate loans and 30 years for adjustable-rate loans. The repayment method is uniform monthly payments on the principal and interest. In addition to this method, they have begun monthly payments on uniformed principal and the interest on the principal balance, and gradual increase of payments in order to respond to the demand of borrowers.

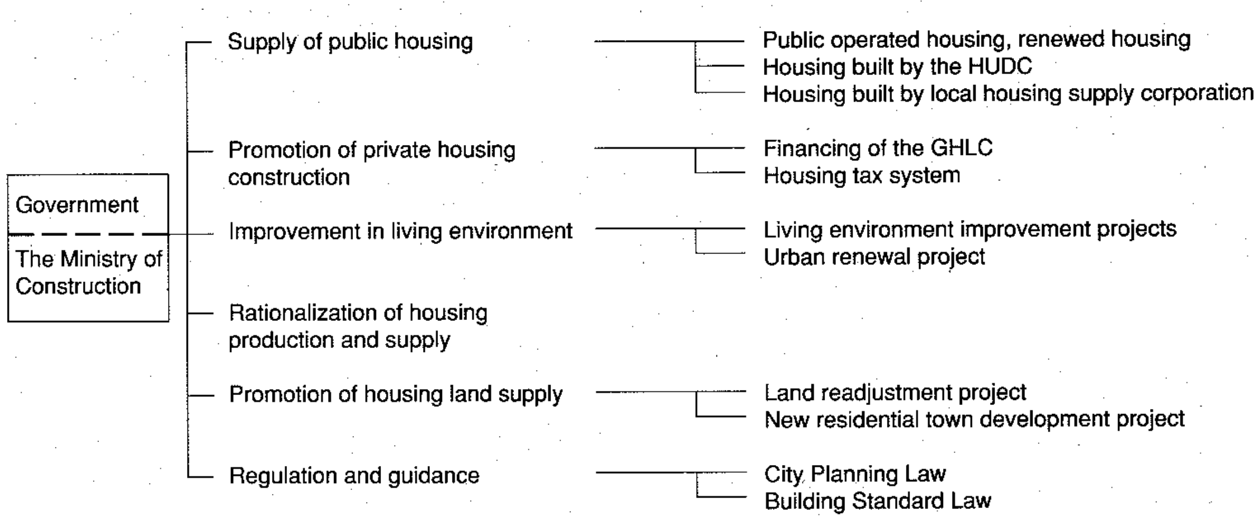
Housing Loan Companies

Housing loan companies that specialize in housing finance have been expanding their business rapidly in the short time since they were established in the 1970's. In 1971, the first housing loan companies were founded by six joint city banks, then trust banks, mutual financing banks, and regional banks began to formulate their groups, and each group established its own housing loan companies. Since their establishment, they have positively provided not only loans for individuals but also loans for entrepreneurs who build houses for rent or sale.

In FY 1975 housing loan companies loaned 220 billion yen, which accounted for only 3.8% of the total amount of new housing loans made in the same year. They, however, loaned 6.4 trillion yen in FY 1989 and the proportion of the total was as high

Figure 1

The outline of the present housing policy



Source: "A Quick look at Housing in Japan" The Housing Bureau of the Ministry of Construction.

Table 2

The number of housing units to be built by public funds
(The 5th five-year program)

Item	The number of housing units
Publicly operated housing	280,000
Publicly operated housing	255,000
Renewed housing	25,000
Housing financed by the GHLC	2,250,000
Housing built by the HUDC	130,000
Other housing	490,000
For adjustment	150,000
Total	3,300,000

Source: The Ministry of Construction.

as 22.1%. At present, housing loan companies are the second largest private lenders, next to city banks, in the housing finance market. (Table 3)

The reason for their rapid growth is largely the increase of loans for entrepreneurs who build rental housing and condominiums. In addition, the loan conditions of housing loan companies, such as repayment terms and loan amounts, are more favourable to borrowers than those of banks. The major conditions of loans are as follows:

Interest on loans: The rate of interest on loans is 8.88% as of March1st, 1991. The fund for loans comes mainly from each group of financial institutions that established housing loan companies. Therefore, the interest rate of the loans is higher than that of city banks.

Amount of loans: There is no maximum loan amount. An applicant can borrow as much money as he or she wants, depending upon his or her income and property.

Term of repayment: The repayment term is 30 years at the longest. Compared with the term of city banks, usually 20 or 25 years, it is 5 or 10 years longer.

Other Private Financial Institutions

Other major housing loan lenders include the next three institutions: credit banks, worker's credit associations, and insurance companies.

Credit banks are not corporations, but nonprofit organisations. They are co-operatives that have strong ties with the local area. Their members are small and medium-sized enterprises and local residents. They have provided loans to their members not only for enterprises but also to individuals for such things as housing. They financed 1.6 trillion yen, which accounted for 5.7% of the total housing loans provided by both public and private institutions in FY 1989. (Table 3) The loan conditions of credit banks are almost the same as those of city banks and regional banks.

Worker's credit associations are the financial institutions which deal with the finances of labor unions and other workers' organizations. Worker's credit associations are the first private financial insti-

Figure 2

An outline of housing finance in Japan

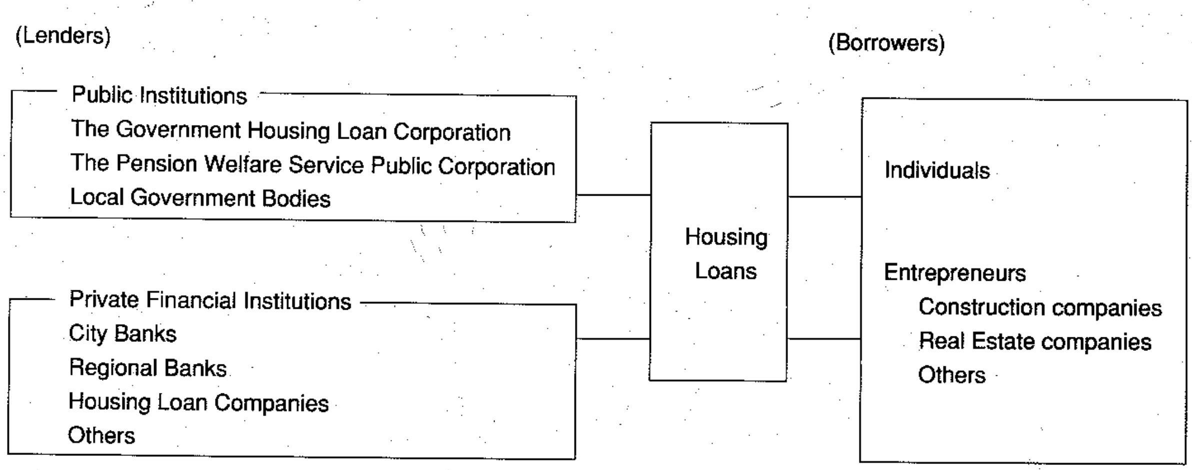
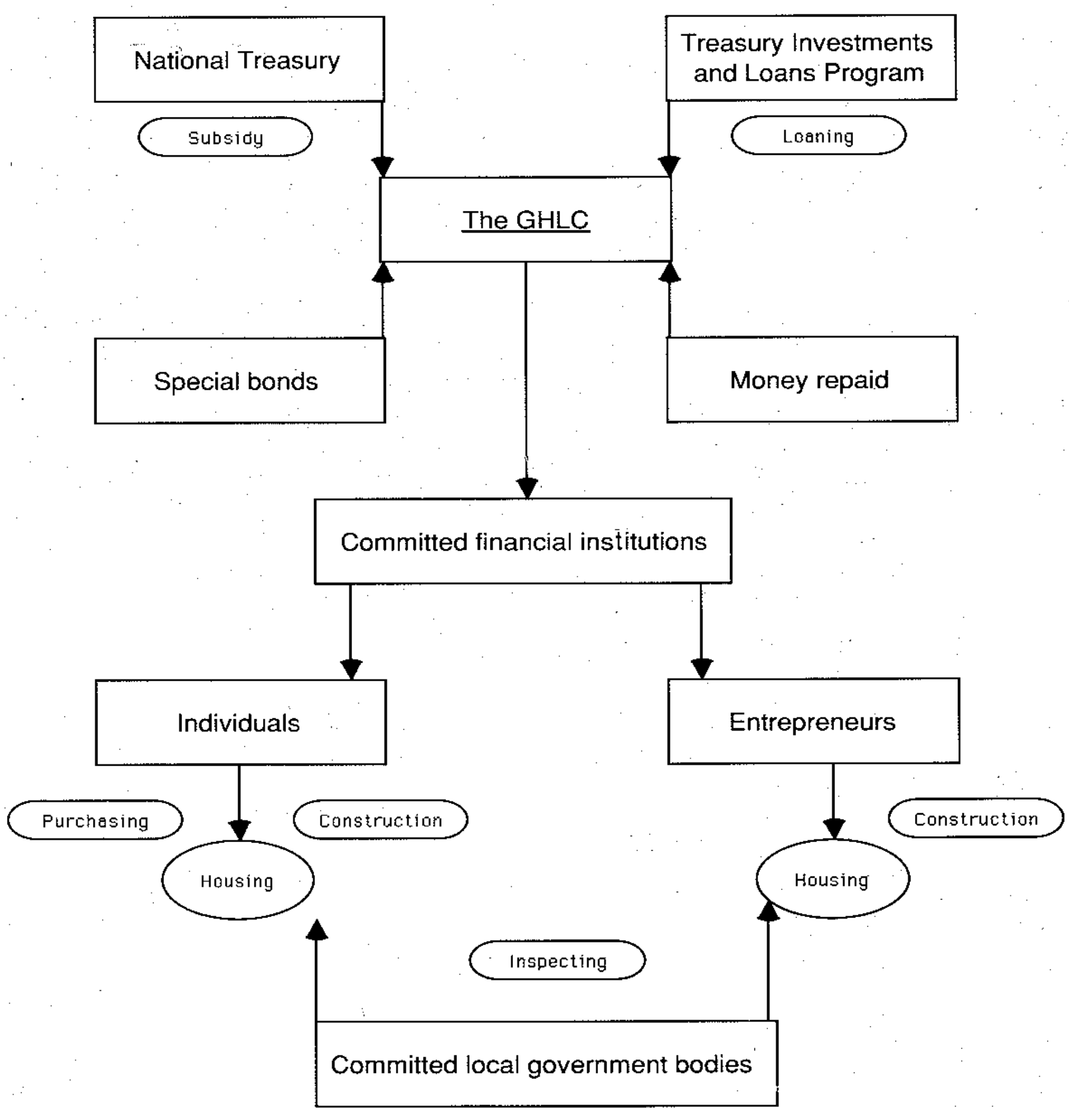


Figure 3

The business of the GHLC



Source : "A Quick Look at Housing in Japan". The Housing Bureau of the Ministry of Construction

Changes in the amounts of new housing loans and outstanding loans

Table 3

(Unit: 10 billion yen)

Institution \ Fiscal year	Amounts of new housing loans						Outstanding loans
	1966	1970	1975	1980	1985	1989	end of FY 1989
Total	25 (100.0%)	120 (100.0%)	579 (100.0%)	981 (100.0%)	1,280 (100.0%)	2,899 (100.0%)	11,129 (100.0%)
Total of public institutions	17 (68.0%)	42 (35.0%)	159 (27.5%)	391 (39.9%)	459 (35.9%)	793 (27.4%)	4,705 (42.3%)
The GHLC	14 (56.0%)	27 (22.5%)	129 (22.3%)	306 (31.2%)	323 (25.2%)	639 (22.0%)	3,701 (33.3%)
The PWSPC	2 (8.0%)	4 (3.3%)	13 (2.2%)	53 (5.4%)	95 (7.4%)	108 (3.7%)	678 (6.1%)
Local government bodies	n.a.	9 (7.5%)	13 (2.2%)	26 (2.7%)	36 (2.8%)	36 (1.2%)	79 (0.7%)
Other public	1 (4.0%)	2 (1.7%)	4 (0.8%)	6 (0.6%)	5 (0.5%)	10 (0.5%)	247 (2.2%)
Total of private institutions	8 (32.0%)	78 (65.0%)	420 (72.5%)	590 (60.1%)	821 (64.1%)	2,106 (72.6%)	6,424 (57.7%)
City banks	1 (4.0%)	14 (11.7%)	93 (16.1%)	109 (11.1%)	236 (18.4%)	717 (24.7%)	2,182 (19.6%)
Regional banks	5 (20.0%)	20 (16.7%)	133 (23.0%)	146 (14.9%)	191 (14.9%)	322 (11.1%)	1,304 (11.7%)
Housing loan companies	—	—	22 (3.8%)	99 (10.1%)	141 (11.0%)	640 (22.1%)	1,039 (9.3%)
Credit banks	0	15 (12.5%)	81 (14.0%)	85 (8.7%)	93 (7.3%)	165 (5.7%)	610 (5.5%)
Workers credit asso.	n.a.	n.a.	21 (3.6%)	24 (2.4%)	30 (2.3%)	37 (1.3%)	153 (1.4%)
Insurance companies	n.a.	n.a.	16 (2.8%)	53 (5.4%)	68 (5.3%)	117 (4.0%)	474 (4.3%)
Other private	2 (8.0%)	29 (24.1%)	54 (9.2%)	74 (7.5%)	62 (4.9%)	108 (3.7%)	662 (5.9%)

(Note) 1. n.a. means the data is not available.
2. The figures in parentheses show the share of each institution.

Source: The Government Housing Loan Corporation and the Bank of Japan.

tutions that started housing loans for individuals in the middle of the 1950's. Insurance companies also provide housing loans and their loan volume has currently been increasing rapidly. In FY 1989, worker's credit associations and insurance companies made 0.3 and 1.1 trillion yen of housing loans, respectively. They accounted for 1.3% and 4.0% of the new housing loans provided by both public and private institutions. (Table 3)

Prospects for Housing Finance

As seen in Section I, the housing presently available in Japan has already satisfied domestic demand for housing in terms of numbers. However, in terms of housing quality there is still much room for improvement. Our demand for housing has recently been altered by a number of factors such as changes of life style and improvements of construction techniques. In this sense, housing finance by both public and private institutions in Japan is approaching a turning point.

Public institutions have played an important role in the housing finance market. Their low-interest loans not only provide a strong incentive to housing construction, but also stimulate private housing finance. Though they decreased their shares in the market recently, they are still expected to be lenders of long-term, low-interest loans to middle or low-income people. But there are some problems which public institutions will have to face in order to develop their business in the future.

Their sources of funds is one of the major problems that public institutions have at present. Most public institutions depend on the central or local governments for their resources. Taking the tough financial situation of both governments into account, it will be difficult for public institutions to depend heavily on the government in the future. They must decrease their financial dependency on the government.

The GHLC receives a subsidy from the national Treasury, which covers the difference between the interest rates of money borrowed and lent. This subsidy has greatly increased in recent years. In order to decrease the subsidy, the GHLC increased its interest rate from the 11th year, and changed interest rates depending upon the floor area of a housing unit.

On the other hand, private financial institutions increased their share rapidly and now account for a larger share than public institutions. They are expected to be the major lenders in the housing finance market. Like the public institutions above, private financial institutions have also some problems for their further development.

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as this are enormously valuable, I am sure, in bringing together representatives from very many countries, but few parts of the industry have a formal multinational framework beyond that which exists within the European Community. Yet in banking and in many other areas of financial services we have a global market-place. The need to consider, and perhaps organize, the industry on a more comprehensively multinational scale may be increasingly important in the years ahead.

We saw the case for it, as well as the difficulties in achieving it, during the developing countries debt crisis in the 1980s. In handling the intensely difficult process of organizing an estimate of the exposure to the major banks of the world to the developing countries, the banks had great difficulty in marshaling themselves effectively. A new forum was created to handle this - the Institute for International Finance - to try to provide a focus for the major banks of the world on these and other issues of common concern, but the progress for all sorts of reasons, good and bad, has been slow. It has, however, become a place where bankers and officials can come together to discuss global financial issues.

Another particular initiative has I think been useful. When I was Chairman of the Basle Committee on Banking Supervision, following the principle that practising bankers and supervisors need to keep in close touch, I set up an annual meeting with a group of the Chairman of the European countries banking federations - an informal meeting, low profile, at which the important macro-prudential, and some not so macro-prudential issues in the banking field could be aired and discussed and the particular concerns and preoccupations of each side put on the table and frankly and freely debated. A small step but a useful one to extend the principles of dialogue which I discussed earlier in my remarks on national environment.

Mr Chairman, I have ranged wider than the particular concerns of the industries represented here today but I believe that the topic of this session goes to the heart of the way in which all financial service business with fiduciary responsibilities to customers, clients, depositors, investors or policy holders need to approach their relationships with the authorities who watch over their activities. I hope we have had a fruitful dialogue; I hope too we may have reached a consensus on these important issues. ■

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institutions must be mobilized for their use.

CHF has developed and tested a program model that transforms the enabling strategy promoted by the United Nations into action. It unites formal sector financial institutions and nonprofit intermediary organizations in a partnership that enables low-income families to organize, plan, and carry out their own shelter and community improvement initiatives. As resources become available, Shelter the World is applying the program model on a global scale, providing a mechanism for formal sector financial institutions to provide shelter financing for the poor of the developing world. ■

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One of the major problems that private financial institutions have at present is how to avoid the risk of housing loans. Most private financial institutions raise the funds for housing loans mainly from the short-term deposits that their customers make. The private financial institutions have to bear the risk of changing interest rates in the long term when they make housing loans.

Compared with a business loan, a housing loan is usually a smaller amount and has a longer repayment term. The interest rate is lower than that of a business loan. In short, private financial institutions have to bear the risk, in spite of a lower profit, when they make housing loans.

As mentioned before, the demands for business loans are decreasing, while the demands for individual loans such as housing loans are increasing. In this situation, many private financial institutions have put greater emphasis on housing loans and made efforts to decrease the risk. For instance, they adopted adjustable-rate housing loans to avoid the risk of changing interest rates. Furthermore, some private financial institutions began to securitize their housing loan credits.

The Japanese economy has so far depended on exports. Now, it is under international pressure to make its economic structure more dependent on domestic demand. One of the effective measures to accomplish this international obligation is the promotion of housing construction, because the housing industry links with other industries. It is not too much to say that the key to promote housing construction lies in the further development of housing finance by both public and private financial institutions. It is expected that, in the near future, the provision of housing finance by both public and private financial institutions will play a more important role not only in the housing industry, but also in the nation's economy. ■