



Fonds du Logement
des familles nombreuses de Wallonie

ACCESSIBLE AND FAIR FINANCIAL SERVICES : Alternatives to mainstream banking

AFFORDABLE CREDIT FOR FAMILIES

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MADRID, 11th of May 2015



PLAN

-  **Institutional context**
-  **Objectives**
-  **Mortgage loans**
-  **Financial aspects**



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Institutional context

Fonds du Logement de Wallonie (FLW)

- ◆ Private company created as a cooperative company with limited liability.
- ◆ Created on the 17th of October 1980.
- ◆ Born out of the regionalisation of the F.L.L.F.N.B which was created in 1929 by the « Ligue des familles ».
- ◆ 22 cooperative members among which the Ligue of Familles which holds 98% of shares.



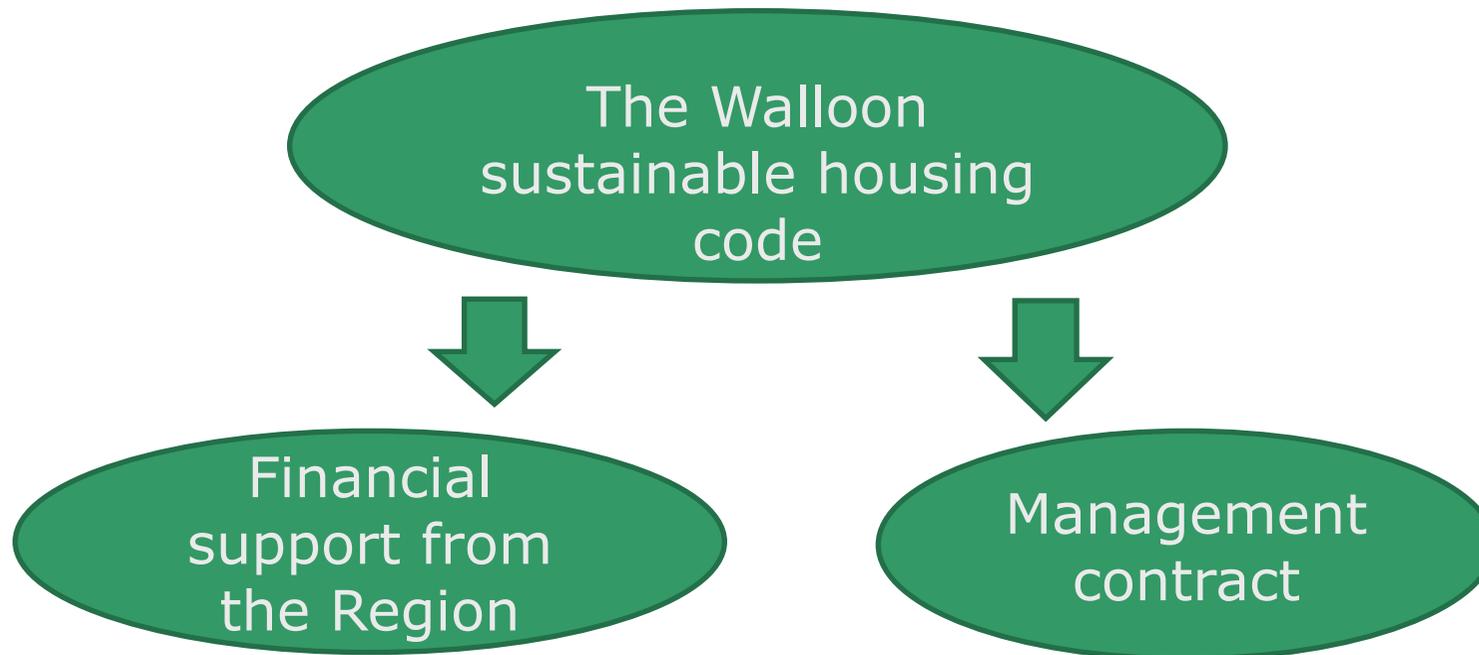


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Objectives



Our activities in the field of access to housing and social inclusion of vulnerable families are recognised of public utility by:





Ensure that families have access to decent housing by:

- Social mortgage credits = Accesspack
- 0% personal loans used to fund energy efficiency renovations = Ecopack
- 0% personal loans for regular renovations = Renopack

Our position:

providing families with resources and support tailored to each sustainable housing inclusion project, being mindful of the existing heritage and the environment

TECHNICAL AND SOCIAL SUPPORT AND RENOVATIONS ARE THE KEY-WORDS OF THE ACTIVITIES OF THE FUND



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Operational annual objectives

- Lend each year about 144 million euro in social mortgage loans to large families for a secured and sustainable access to the ownership of decent and adapted housing = Accesspack
- Provide 0% personal loans in order to fund energy efficiency renovations = Ecopack
- Provide 0% personal loans in order to fund regular renovations = Renopack





Social loans

◆ Traditional mortgage credits

The mortgages we provide are social loans with a fixed interest rate for families with at least 3 children, with a degressive interest rate depending on:

- the number of dependent children ;
- the income level before tax

◆ “Ecopacks” since 2012.

Financing using a combination of 0% personal loans and subsidies for energy efficiency renovations (isolation of the roof, walls, floors, set up of proper heating...).

Focus on mortgage credit





- ◆ Renopacks since 2016

Financing using a combination of 0% personal loans and subsidies for regular renovations (replacing the roof, restoration of walls and floors, restoration of the electric setup, replacement of window frames...).



Focus on mortgage credit



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Key figures 31/12/2016

- ◆ **20,147** ongoing credit commitments
- ◆ **1,515 billion EUR** of outstanding loans
- ◆ **1.789 new credits** signed in 2016
- ◆ **136 millions EUR** lent out in 2016



→ 846 mortgages

→ 943 ecopacks
and renopacks



Specifications of the mortgage credits lent out in 2016

Specifications of mortgages lent out in 2016	
Average amount of the loan:	136.634 EUR
Maturity :	- 22% of mortgages between 20 and 24 years -50% of mortgages between 25 and 29 years -15% of mortgages in 30 years
Average monthly instalment :	558 EUR
% of the debt burden / financial resources of the family	18.7% (558/2.978)
Family composition	- 54% of households have 3 dependent children - 30% of households have 4 dependent children - 10% of households have 5 dependent children -



Distribution of mortgage loans in 2016 based on the income category

Income category	Total yearly income before tax (3 children)	Number (in %)
Precarious income	< 36.900 EUR	76%
Low income	< 46.100 EUR	23%
Average income	< 66.300 EUR	1%



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Mortgage loans



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Within the scope of our mortgage credit lending activities, we must consider various rationales which may be antagonistic...

3 rationales (limits) :

- * a regulatory rationale
- * a financial rationale
- * a social rationale

... all of which have to be taken into account!





The regulatory framework for lending out a mortgage

Preliminary remark : general conditions for accessing a mortgage credit are covered by these three dimensions

Conditions de recevabilité = who is the loan for ?

1/ Ownership condition : the applicant cannot be the owner of another housing

2/ Level of income condition

→ the income before tax of the N-2 year cannot exceed a certain threshold.
For a family with 3 children, the income before tax cannot exceed 66.300€.
This amount is increased by 5000€ for each additional dependent child.



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3/ Household composition condition

= a minimum of 3 dependent children

What is a dependent child?

= a child for which the family receives child benefits, regardless of whether the child resides continuously with the applicant (shared custody)



+ * a child with a disability = 2

* an orphan child = 2

* a child conceived for more than 90 days = 1



+ * a family member with a disability up to the 3rd degree,
residing with the applicant = 1

* an elderly family member aged 60 or more residing with the
applicant = 1



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What can the mortgage loans be used for ?

Only for housing (immovable property)

- Acquisition of a housing
- Construction of a housing
- Creation of a housing destined to host an elderly parent (intergenerational loans)
- Renovation – rehabilitation of a housing – financing energy efficiency works
- Reimbursement of costly mortgage debts





Conditions attached to the housing property itself

- **Has to be located in the Walloon Region**
- **Sanitation** (respect of sanitary criteria as defined by the AGW code of 30/08/2007)
 - obligation to carry out certain renovations/works
- **Current value** cannot exceed certain thresholds – Maximum = 228.800 EUR for a family composed of 3 children of which one is at least 8 years of age
 - + threshold increased depending on :
 - the location of the housing
 - the family composition (+ 5 % for every extra child after the 3rd one)



The loan: how much can you borrow and at which rate?

Guideline : the FLW intervenes as a **subsidiary** so the emphasis is on the **collaborative** dimension of the lending process (an empowering approach regarding access to housing ownership)

- Personal financial investment is a priority
- A personal financial contribution is, in principal, mandatory (min 3% of the amount of the loan) in order to give out an unsecured loan

Double limit :

- the maximum of the loan value is 228.800 EUR
 - + increase of the limit possible depending on :
 - the location of the housing
 - the composition of the family
- relative maximum : 125 % of the current value after renovations/works



Which interest rates ?

Characteristics of the rates (rates on the 01/07/2017):

- Fixed rate except in case of additional family members along the way: then decrease of rate.
- a base rate of 1% to 2,25% depending on the level of income

Index:

Category I = households with precarious income levels

Catégorie II = households with modest income levels

Catégorie III = households with average income levels

Income category	Income level	Base rate with 3 children	Base rate
I	1	1,00%	1,00%
I	2	1,25%	1,00%
I	3	1,50%	1,25%
II	4	1,75%	1,50%
II	5	2,00%	1,75%
III	6	2,25%	2,00%
III	7	2,50%	2,25%



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Mortgage loans

Garantees

- ◆ First mortgage on the property, sole purpose of the loan
- ◆ Outstanding balance insurance in case of death
- ◆ Fire insurance
- ◆ Wages holdback
- ◆ Any other guarantee we deem useful (guarantee by third party, rights on another real estate property...)





The financial conditions to be eligible for a loan

Balises financières d'octroi des crédits validées par le Conseil d'Administration

- Existing initial capital investment (for unsecured loans)
- Analysis of the socio-professional situation of a household
- Analysis of the current state of indebtedness and solvability track records
- Analysis of the ratio between financial resources, housing expenditure/servicing the mortgage (30% max) and global expenditure (45% max)
- Requirement of left over financial resources depending on the household composition (750€ = 150€ per dependent child, which amounts to 1200€ for a 5 person household)
- Comparison of current expenditure with future expenditure
- Analysis of the value of the housing

Compliance with these sets of conditions



granting the mortgage loan



In real terms?

Results of our social objectives : a number of large households (of which 1/3 single parent families) of modest condition can become owners of a decent housing adapted to their family size; especially in a context where the public or private renting sector experiences many shortcomings!

Litigation rates (arrears represent 0,42% of the total outstanding debt) are relatively low, especially when looking at the variety of risks that the FLW takes by lending to the least privileged households.



The FLW approach and the follow up process

- Funding from public sources !
- Set up of a collaborative approach, based on proximity and an empowerment of the applicant vis-à-vis the process of acquiring a housing (win-win).
- Possibility to have a social support and help during the application process (set up of a preparation programme for the application, savings probation period,...).
- Cooperation with external partners: the Walloon Region (APR), CPAS (social services), debt mediation services, grassroots organisations (APL, CIRE,...).
- Social/technical support after the signature of the contract.
- Favoring judicial procedures (out of court settlement,...) or looking for concrete solutions in case of difficulties or accidents during the lifetime of the credit!



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Financial aspects



Financing

The FLW is an organisation with a social dimension which partially relies on the capital market to fund its activities.



FLW's resources

INTERNAL RESOURCES

Resource inherent to our activity :

- ✓ Mortgages :
 - monthly repayments
 - reinvestment costs
 - early repayment
 - application fees

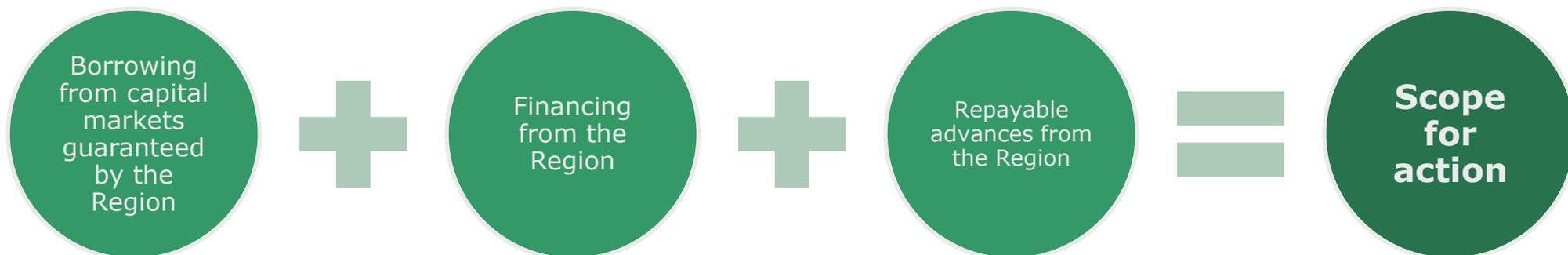
- ✓ Miscellaneous:
 - revenue from insurance intermediation
 - revenue from cash investments



EXTERNAL RESOURCES

The FLW gets funding from a variety of sources :

- **1.** Borrowing from capital markets, guaranteed by the Walloon Region
- **2.** Financing from the Walloon Region :
 - * Capital endowments : mortgage loans
- **3.** Repayable advances from the Region: ecopacks and renopacks





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Thank you for your attention!

Visit our website: <http://www.flw.be>

Pierre Colignon

Deputy Director of the Credit
Appropriation Service