

Annual Report 2008



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## About the Housing Bank

Heading in the right direction	3
Introduction	5
A new, regional structure	6
Organisational structure	7
Goals, strategy and policy instruments	8
Brief history of the Housing Bank 1946-2008	10
Highlights in i 2008	11



## Annual Report

The Executive Board's report for 2008	12
Profit and loss account	22
Balance sheet	23
Accounting principles	25
Auditing of the financial statements	27
Statement of cash flows	28
Notes to the financial statements	29
A closer look at our financial figures	35



## Efficient and User-friendly Administration

The administration of the Housing Bank	39
Loan administration	41
Modernising our ICT systems	42
Knowledge sharing	43
Achieving results through cooperation	44
Other areas of policy	45



## Features

The Housing Bank in China	49
Norway's first SOS children's village in Bergen	50
BOSO - promoting the development of social and affordable housing	52
Developing social housing	54
The Norwegian Government's Award for Good Practice in Housing Design for 2008	56
Key figures 2008	58



**Husbanken**

# Heading in the Right Direction

Local authorities are working hard to provide housing for disadvantaged groups

**Municipalities are the Housing Bank's most important customers. 2008 demonstrated that the strategic, binding cooperation between municipalities and the Housing Bank generates results.**

The Office of the Auditor General investigated housing available to disadvantaged groups, and concluded that social housing provision is inadequate. In 2008 almost 1,000 new social housing units were created with targeted housing grants from the Housing Bank, an increase of 11 percent from the previous year. Targeted housing grants, housing allowance and start up loans were the Housing Bank's most important policy instruments in 2008, and will continue to be so in 2009.

Housing allowance is the most important financial tool for giving economically disadvantaged groups access to - and to help them remain in a decent home. The improvements to the housing allowance scheme, as promised in 2008 to be delivered in 2009, shall allow other instruments to be exploited more successfully, leading to significant welfare gains. This will be particularly true for people living in social housing.

Our collaboration with the Directorate of Integration and Diversity, IMDi, exemplifies our strong focus on finding suitable housing for refugees. We have given priority to work with other welfare

service providers who are also involved in projects aimed at disadvantaged groups in the housing market. Young people find it expensive to start their housing career. The start up loan is the Housing Bank's most important instrument to help them and other groups of people who are unable to obtain loans from private banks. As a result of the global financial crisis, start up loans have become increasingly popular with young first-time buyers. Start up loans are subsidised loans, and the Housing Bank assists municipalities to manage them for the benefit of those who need them. 340 of the 431 municipalities in Norway offer start up loans to local residents. Those 340 municipalities are home to 95 percent of the total Norwegian population. In 2008 start up loans were issued to 6,500 households, an increase of 400 over the previous year. Over half of them went to first-time buyers.

In 2008, turnover and demand in the housing market fell. That, in combination with higher interest rates, caused problems for some home owners. Most housing co-operatives financed by the Housing Bank have rent insurance, and none of them defaulted on their loans in 2008.

The Housing Bank financed more homes in 2008 than in 2007. Most of them were required to meet certain standards for sustainability and universal design. The Housing Bank influences the construction industry to use universal and green design also in projects that we do not finance.

Our grants for research and development work well, as evaluations of the scheme have demonstrated. Never before have Norwegian municipalities received more in development funds from the Housing Bank than in 2008. The Housing Bank also provides fora where municipalities can meet to exchange experiences, learn and develop together. We will work even more systematically in this area in 2009. The Housing Bank Regional Office East's approach to programme development in the field of social housing provides an important pointer as to prioritisation of the Housing Bank's work in this field in the future. (see below for more information).

The Housing Bank administers considerable funds and is charged with performing multiple and complex tasks. In order to target our use of resources, we have developed a strategic platform that aims to facilitate the Norwegian government's vision: adequate and secure housing for all. The main aim of the Housing Bank is to assist municipalities to become better at implementing targeted, efficient and locally adapted housing policies on their own terms.

The Housing Bank invites the municipalities facing the biggest challenges to join in long-term partnerships, with the aim of improving their ability to implement housing policy. Providing housing for the most disadvantaged members of society remains the number one priority of the Housing Bank.

**Housing allowance is the most important financial instrument for helping the disadvantaged to obtain a home**



Photo: Arash Nejad





The Housing Bank is heavily involved in the Gorrudalen project. The photo shows young people in Romsås. Photo: L-P Lorentzen

# Introduction

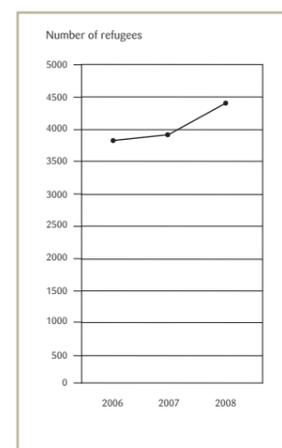
The overriding housing policy aim of the Norwegian government is adequate and secure **housing for all**. The Housing Bank is the government agency responsible for achieving this. Housing is a fundamental human right, which people need access to in order to enjoy a decent standard of living. There are still some groups that are unable to obtain and to keep a home for themselves and need the help of society. That is the core task of the Housing Bank, working with Norwegian municipalities. When we succeed in assisting vulnerable members of society to get access to and to keep their own homes, it generates significant welfare gains.

This annual report highlights how the Housing Bank has gone from being basically a mortgage provider into being a welfare agency that operates more broadly in the field of social and affordable housing. The financial crisis is increasing the challenges faced by all sectors. The need to help people who are struggling, and the benefits from providing them with housing, are at least as great as in the past.

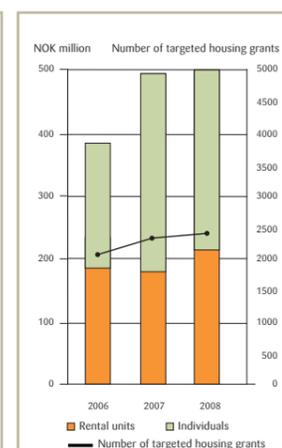


The SAFIR centre for voluntary efforts to combat substance abuse serves lunch in Urtegata in Oslo. Photo: Thomas Bjørnflaten

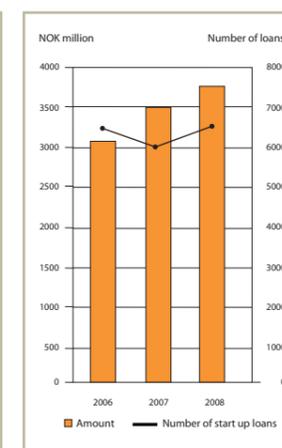
## Trends over the past three years



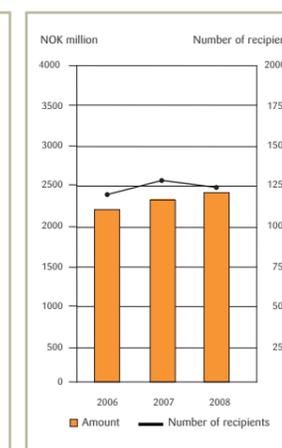
Number of refugees housed per year



Targeted housing grants for individuals and rental units



Start up loans

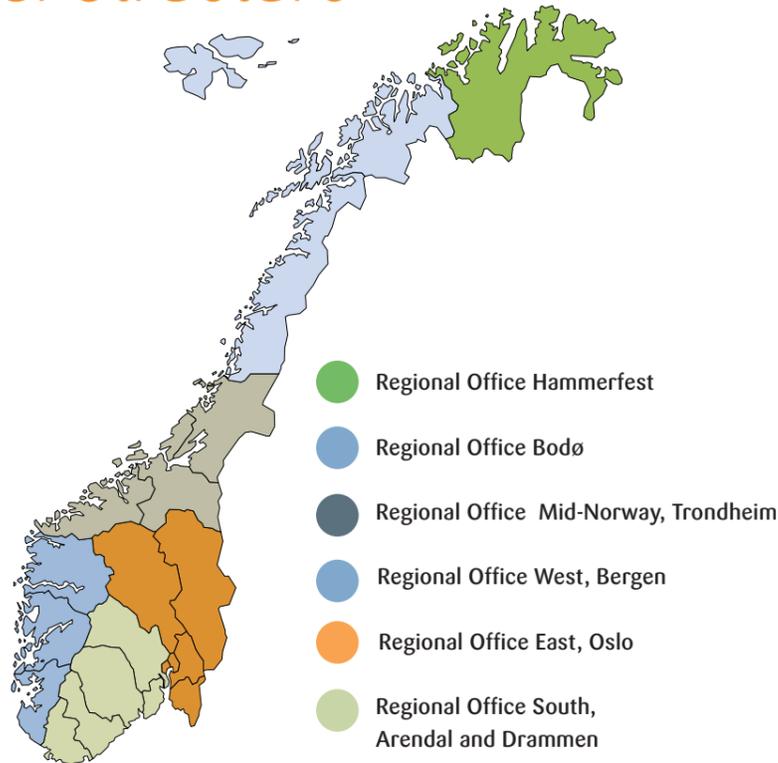


Housing allowance

# A New, Regional Structure

The organisational structure of the Housing Bank is based on being as close to end users as possible

The organisational structure and delegation of authority is based on the principle that the people closest to customers/ users are in the best position to offer solutions. Those solutions must be based on local knowledge and local networks. As a result, control over all of our financial policy instruments has been delegated to our six regional offices. In addition to the responsibilities following from that delegation, several offices have also been given responsibility for specific areas of policy, which has allowed them to build up specialist knowledge and expertise in particular fields.



**Regional Office Hammerfest:** Building design and international circumpolar activities

**Regional Office Bodø:** Accounting and documentation for the whole of the Housing Bank, and documentation tools for social and affordable housing activities at municipal level

**Regional Office Mid-Norway:** R&D and work on sustainable design and energy efficiency in housing

**Regional Office West:** Work on universal design

**Regional Office East:** Housing strategies

and the Grorud valley urban redevelopment project

**Regional Office South:** Urban redevelopment and the multi-year programme BLEST, which focuses on quality of life and community involvement in small towns and villages.

**Our central offices are located in Drammen:**

**The Head Office** acts as the secretariat for the Managing Director and the Executive Board of the Housing Bank.

It is responsible for areas such as HR, communications, internal controls/ auditing, international cooperation, culture and the environment.

**The Administration Office's** main tasks are running and developing the Housing Bank's IT systems, handling the banking aspects of loan administration and dealing with customers with payment difficulties

**The Strategy Office** is responsible for policy and strategic development, as well as for reporting to, and communicating with, government authorities.

## The Housing Bank's board members

**The Executive Board**  
Chair: Kristian Wibe  
Deputy Chair: Barbro Lill Hætta-Jacobsen  
Members: Liv Røssland, Heming Olaussen and Ingjerd Schou

Deputies: Else Margrete Lian, Elisabeth Nilsen, Line Gare Paulsen, Kristian Dahlberg Hauge and Øyvind Hilmarsen.

**Hammerfest Regional Board**  
Chair: Geir Sagelv  
Members: Randi Tennefoss, Linda Randal  
Deputies: Ulf Tore Isaksen, Mona Jørgensen, Bjørn Odde.

**Bodø Regional Board**  
Chair: Lisbet Holand  
Members: Guri Helene Ingebrigtsen, Arnfinn Ellingsen  
Deputies: Gunnhild Andreassen, Halvor Hilmersen, Odd Arne Tunberg.

**Mid-Norway Regional Board**  
Chair: Anne Sofie Hunstad  
Members: Marit Voll Skrove, Harald Valved  
Deputies: Paul Ludvig Almåsvold, Jan Ole Asplid, Trude Holm.

**West Regional Board**  
Chair: Sigrid Brattebø Handegard  
Members: Karl W. Sandvig, Guri Fonsdal  
Deputies: Jostein Zazzera, Geir Pollestad, Lillian Blom.

**East Regional Board**  
Chair: Ann Kathrine Skjørshammer  
Medlemmer Arnfinn Nergård, Ole Haabeth  
Deputies: Harald Solberg, Ellen Løchen Børresen, Lisbeth Lofthus Gabrielsen.

**South Regional Board**  
Chair: Rolf Erling Andersen  
Members: Eli Løite, Ivar Ramberg,  
Deputies: Reidun Nyhus, Arne Thomassen, Ragnhild Røed.

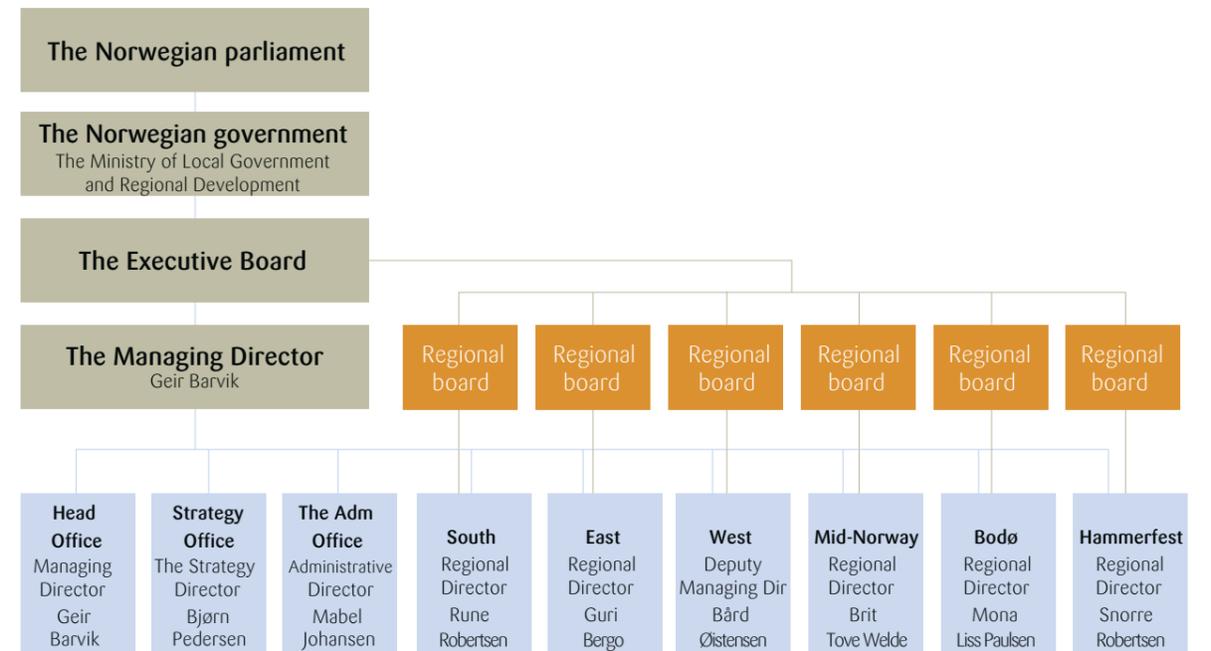
# Organisational Structure

The Housing Bank reports to the Ministry of Local Government and Regional Development. The supreme governing body of the Housing Bank is the Executive Board, which has five politically appointed members. The Executive Board sets the Housing Bank's strategic goals and main priorities, and is responsible for ensuring that the necessary planning documents are in place for its activities. In addition there is a Regional Board in each region, consisting of three political appointees. The Regional Boards are responsible for loan and grant schemes within their respective regions. Where matters of principle are at stake, regional boards make their recommendations before sending them to the Executive Board for approval. The Housing Bank has a complaints board that handles appeals by the Housing Bank's customers against decisions on loans and grants.



The Housing Bank's offices in Drammen. Photo: Thomas Bjørnflaten

## Organisation chart at 31 December 2008



# Goals, Strategy and Policy Instruments

Since as far back as 1946, governments of all political colours have used the Housing Bank as their most important tool for the implementation of housing policy. Housing policy goals have remained relatively unchanged over the past 10 years, but each year they are adopted by the Norwegian Parliament in the central government budget, and are adjusted to meet the main challenges of the day.

**The government's overriding goal is:** to provide adequate and secure housing for all.

The following main goals also applied in 2008:

1. Stimulation to achieve a well functioning housing market
2. Providing housing for groups that are disadvantaged in the housing market
3. Ensuring that building processes are smooth and efficient
4. Increase the number of environmentally friendly and universally designed dwellings, built in attractive locations.

**There are also goals for the internal management of the Housing Bank:**

5. Efficient and user-friendly administration.

The Housing Bank is responsible for ensuring that housing policy goals are achieved as successfully as possible. The Housing Bank's strategic plan shall provide a good foundation for a focused and targeted approach. The plan also sets out the top priority tasks for 2008. The most important ones are:

- Housing the homeless and



disadvantaged people in the housing market

- Environment-friendly and universally designed housing and residential areas.

The Housing Bank has established three core values that shall guide its employees in their efforts to achieve the goals:

Openness, versatility and collaboration

Concentrating on housing for disadvantaged groups generates most welfare gains, and the Housing Bank has changed its approach and the way in which it uses policy instruments accordingly.

**The Housing Bank implements the government's housing policy**

The Housing Bank has changed the way in which it works, with priority

being given to providing advice, initiate and promote research and facilitate knowledge-sharing. In 2008 the Housing Bank's regional offices held over 800 meetings, seminars, networking events, conferences, theme days and other activities, which were attended by more than 22,000 people in total. This contributes to build expertise, and provides a foundation for sustainable, new projects.

But the way in which The Housing Bank use its traditional financial policy instruments has also changed. Housing allowance has taken on greater importance, and start up loans have been prioritised ahead of loans for the construction of new housing.

The below tables show trends in the use of our most important instruments.

## Budgets for the Housing Bank 2004-2008

The below tables show activity levels over the past five years. Both loans and grants are disbursed after the budget appropriations, which means that there may be discrepancies between the activity figures and the figures in the financial statements.

### Grant schemes NOK million

	2004	2005	2006	2007	2008
<b>Total grants</b>	<b>4 527,6</b>	<b>4 092,9</b>	<b>4 520,1</b>	<b>5 079,4</b>	<b>6 041,5</b>
Housing allowance <sup>1)</sup>	2 109,0	2 093,6	2 232,6	2 286,5	2 470,4
Urban renewal/housing quality grants	21,4	0,0	0,0	0,0	0,0
Targeted grants for first home, adaptations and rental housing	664,6	559,0	574,0	614,7	641,5
Urban redevelopment <sup>2)</sup>				43,0	43,0
Residential care home/ nursing home grants	177,7	0,0	0,0	0,0	0,0
Grants for research and development <sup>3)</sup>	31,0	56,7	82,8	81,0	92,5
Investment grants for resi. care homes and nursing homes <sup>4)</sup>	0,0	0,0	0,0	0,0	500,0
Interest subsidies for schools <sup>5)</sup>	240,5	207,0	322,0	541,0	828,4
Interest subsidies for churches <sup>6)</sup>		7,8	21,0	39,0	74,1
Interest comp. for res. care homes and nursing homes <sup>7)</sup>	1 283,4	1 168,8	1 287,7	1 474,2	1 757,6

1) Sosialdepartementet si butilskotsordning og bustønad ble slått saman til noverande Bustønad

2) New grant in 2007, which has been allocated to the "area boost" project in Groruddalen

3) In 2005, grants for research and development replaced urban renewal/ housing

quality grants and development grants

4) New grant in 2008

5) New grant in 2002. No additional budget in 2008

6) New grant in 2005. No additional budget in 2007 and 2008

7) New grant in 1998 Part of the government's action plan for the care of the elderly

The Housing Bank has an overall loan- frame in its budget, which is split amongst the various loan schemes to maximise the achievement of the various goals.

### Loan schemes within the overall loan budget of the Housing Bank. NOK million

	2004	2005	2006	2007	2008
<b>Overall loan budget</b>	<b>14 500</b>	<b>13 500</b>	<b>13 500</b>	<b>13 000</b>	<b>13 000</b>
Construction loans	8 769,2	5 138,9	999,4	179,7	
Home improvement loans	1 060,0	1 093,7	101,6		
Basic loans <sup>1)</sup>		1 894,0	6 404,2	5 579,8	6 774,0
Start up loans	3 431,0	3 498,0	3 344,6	3 534,3	4 013,0
Nursery school loans	657,0	1 366,0	1 555,1	1 743,2	2 213,0
<b>Total used (approved)</b>	<b>13 917,2</b>	<b>12 990,6</b>	<b>12 404,9</b>	<b>11 037,0</b>	<b>12 374,2</b>

1) Basic loan for construction and home improvement were introduced in 2005 to replace the previous construction loans and home improvement loans

### For 2008, the main traditional policy instruments used can be summarised as follows:

- Housing allowance totalling almost NOK 2.5 billion was provided to over 126 000 households, and the scheme will be further expanded in 2009.
- Grants for research and development are an important instrument that is being given high priority. In 2008, 328 projects received grants totalling NOK 90 million, an increase of 13 percent over the previous year.
- Within the overall loan budget, start up loans and nursery school loans were given priority. Municipalities issued loans worth 17 percent more than the previous year, including 6 500 start up loans, 7 percent more than the previous year.

# Brief History of the Housing Bank 1946-2008

The Housing Bank was established by the Norwegian Parliament on 1 March 1946, in order to “channel support from the government and municipalities towards housing reconstruction and new-builds”. Since its very first beginnings, the Housing Bank has been the government’s most important housing policy tool, and a key part of the Norwegian welfare state.



## 1946-1953:

### Reconstruction and new-builds

The Housing Bank was supposed to finance socially responsible homes for a reasonable rent, but it took a while to get started on account of the shortage of construction materials. The most war damaged areas were prioritised. In the 1950s house building got going on a large scale.



## 1954-1964:

### High levels of activity in spite of tighter credit

The government tightened credit conditions, and from 1954 the Housing

Bank was given binding limits on its activities in the central government budget. In spite of these changes, access to building materials improved, and activity levels were high.

## 1965-1970:

### The industrialisation of house building

House building increased as a result of the use of industrial production methods, and greater investment in housing. Part of the overall loan budget remained unused, mainly due to improved access to private credit on favourable terms.

## 1971- 1980:

### A time of expansion

The 1970s were a time of growth, but also of contradictions. High inflation led to big increases in building and site costs, and many people struggled to pay their housing expenses. The housing industry benefited from the oil boom and counter-cyclical policies. Norwegian house building reached a peak of almost 45 000 completions in 1973.

## 1981-1988:

### Deregulation of the housing market

The Housing Bank introduced loans with stepped interest rates (decreasing interest-subsidies over time), which remained the dominant type of loan until 1996, although by then the loans were not as favourable as before. Favourable tax-deductions made housing investments attractive.



Photo: The Housing Bank

## 1989 -1995:

### Debt crisis and transition

The 1990s started with a recession and the collapse of the private banking system. Many customers were caught in a debt trap, and banks suffered heavy losses. Once again the Housing Bank was used to reduce the impact of the crisis, and for a while it financed almost all house building and thereby kept the industry going.

## 1996-2008:

### From mortgage bank to welfare agency and centre of expertise

The Housing Bank has redirected its activities from mainly financing new homes towards assisting the economically disadvantaged. Loans are not subsidised, but are given on favourable, market based terms. Grant schemes and housing allowance are targeted at disadvantaged groups. Grants for research and development were introduced in 2005, in a move towards focusing more on research, development and knowledge sharing.

### The present and future of the Housing Bank

The Housing Bank places great emphasis on being an open organisation, with wide-ranging expertise on housing policy and capable of coming up with solutions that provide welfare gains. Most of our work is done in collaboration with other organisations, above all the municipalities, which are the front-line service providers to users. The development of housing allowance and start up loans are good examples of that collaboration.

# Highlights in 2008

## Prizes:

“Kvinnehuset”, a centre for women with substance abuse and mental health issues in Bergen, was awarded the Norwegian government’s 2008 prize for organisations working with the homeless. A small house in Sandviken in Bergen has demonstrated how the homeless can be helped to move into and thrive in their own homes. At the award ceremony in Oslo Concert Hall, a delighted group of women from Kvinnehuset received their prize from Magnhild Meltvet Kleppa, the Minister of Local Government and Regional Development, who praised them highly for their inspiring work.

The Norwegian Government’s Award for Good Practice in Housing Design for 2008 went to The Norwegian Opera House. On awarding the prize to the opera, the chairman of the jury Bente Florelius said: “A completely new space has been created – both for Oslo and the whole of Norway. This transformation of Oslo is viewed in

many parts of the world as being something unique and new – and perhaps Norwegian – on account of its democratic design. The opera has become a stage not just for high culture, but also for city life.”

## Housing for the disadvantaged:

Just over 1400 disadvantaged households received targeted housing grants from their local municipalities to help them get on the housing ladder in 2008, four percent fewer than the previous year. But the Housing Bank also provided grants for almost 1,000 rental houses, 11 percent more than in 2007, which went to various groups of disadvantaged people in the housing market. In spite of the high prices of second-hand homes, preliminary reports from local authorities reveal that around 6,500 people received start up loans in 2008, 7 percent more than in 2007.

## Knowledge sharing:

The Housing Bank’s regional offices

held over 800 meetings, seminars, network conferences, theme days or other activities for external participants. Social and affordable housing were the main focus in 2008. More than 22,000 participants attended the various events. The Housing Bank also worked with several university colleges to establish courses on social and affordable housing policy. The Housing Bank’s head office in Drammen also held a series of seminars on housing policy, which were well attended by external research communities and other stakeholders.

## Loan administration:

Only 904 Housing Bank loans were delinquent at the close of 2008, which is a record low. These loans represented 0.7 percent of the Housing Bank’s total loan portfolio, which is also a record low. The numbers of compulsory sale notices and compulsory sales implemented are also extremely low. 56 compulsory sales were implemented in 2008, compared to 68 in 2007.



“Kvinnehuset”, a centre for women with substance abuse problems, receives its prize from the government minister Magnhild Meltvet Kleppa. Photo: The Housing Bank, Mette Presterud

# The Executive Board's Report for 2008

## Introduction

### Summary

The global financial crisis and the economic downturn that followed, dominated all economic sectors and political debate in 2008. Financial turmoil, an economic slowdown and increasing unemployment also added to the challenges facing the Housing Bank. The deterioration of the economy and higher unemployment lead to more people struggling to obtain, or hold onto, a home. House builders faced major challenges as a result of a lack of demand and difficulties of getting loans from private banks.

Housing policy increasingly focuses on the challenges related to disadvantaged groups in the housing market. The main task of the Housing Bank is to generate welfare gains through social and affordable housing policy initiatives. Although the vast majority of people in Norway have good homes, there are still many who are unable to get on to, and stay on, the housing ladder. The Housing Bank estimates that at least five percent of the population have housing-related problems that can only be solved with the help of society. That is one of the Housing Bank's core tasks, and as we succeed we generate major welfare gains.

It is important for the market to function as efficiently as possible, to allow all groups of people to obtain,

and hold onto, a good home. Booms and busts in the market make it hard for both households and the construction industry to adjust. The Housing Bank helps to create stability by supplementing the financial markets with its loans on favourable and predictable terms. Equally, a properly functioning housing market is absolutely dependent on private financial institutions that operate smoothly.

The Executive Board considers that the Housing Bank's role as the most important welfare agency in the field of housing has been strengthened. It has continued to do research and share its knowledge in the field of social and affordable housing, and there was a significant increase in the volume of grants and loans provided in 2008, particularly to disadvantaged groups and first-time buyers.

The Office of the Auditor General of Norway investigated the housing options available to disadvantaged groups in the housing market (Document no. 3:8 (2007-2008)), and was critical of the Housing Bank's work

in the field. The Housing Bank has continued to implement measures to solve the problems highlighted by The Office of the Auditor General of Norway. The Housing Bank has also refined its approach to social and affordable housing.

The Board would also like to comment on the stir caused by low-deposit homes at the start of 2008. This came in the wake of many shareholders in housing co-operatives experiencing payment difficulties. This followed as interest rates rose significantly in tandem with house prices falling slightly. A subsequent review found that the Housing Bank had acted both responsibly and professionally in its handling of the matter, and in its follow-up of the low-deposit projects in which it was involved.

### Areas of responsibility within housing policy

The areas of responsibility within housing policy have remained static for several years, after a thorough review in the housing policy white paper of 2004, and have since then mainly been confirmed annually by the government and Parliament:

- the government and Parliament set out housing policy goals, adopt laws and provide the overall framework. The Housing Bank is the implementing agency, provides advice, grants and loans, and helps municipalities to implement policies adapted to local circumstances
- the municipalities plan and facilitate the construction and refurbishment of homes, and are responsible for

ensuring that disadvantaged groups also have access to good housing

- private companies own, build and manage the building stock, and work with local authorities and government agencies to provide housing for disadvantaged groups.

An increasingly important aspect of the Housing Bank's role is to coordinate government policy on social and affordable housing, whilst bringing in other players such as the Directorate of Integration and Diversity, the Norwegian Labour and Welfare Service, the Directorate for Health and Social Affairs, local Labour and Welfare Service offices and The Norwegian Correctional Services.

Housing policy is increasingly focusing on the challenges related to housing disadvantaged groups. The Board has taken note of this, and has given even higher priority to work in this field, as well as to cooperate with municipalities by providing advice, facilitate knowledge-sharing and by transferring available funds for loans and grants to them to pass on to end users.

The Board wants to underline that it is important that the private banking system continues to provide the main funding for normal house building, whilst the Housing Bank should focus on producing welfare gains through its loan and grant schemes

### Strategies

#### The Housing Bank's goals

The government's housing policy vision is "adequate and secure housing for all".

The main task of the Housing Bank is to bring about welfare gains through social and affordable housing policy initiatives,

in collaboration with other welfare agencies. Although the vast majority of people have good homes, there are still some people who are unable to get on, and stay on, the housing ladder. Based on its surveys of living conditions, the Housing Bank estimates that at least five percent of the population have housing-related problems that can only be solved with the help of society. Assisting them is the core task of the Housing Bank. Other tasks that produce smaller welfare gains must be given lower priority.

The Housing Bank is responsible for implementing the government's housing policy. The main purpose of the strategic plan is to prioritise resources in such a way that the Housing Bank implements current housing policy in an efficient and user-friendly way, and to ensure that we are as successful as possible at achieving our goals and generating welfare gains.

In 2008 the Housing Bank focused particularly on:

- preventing and combating poverty and homelessness
- building the capacity of municipalities in the field of social and affordable housing
- increasing the activities of municipalities in the field of social and affordable housing

The Housing Bank has limited direct contact with the end users of housing policy instruments. The Housing Bank is a second-line service provider within the Norwegian welfare state, and its role is primarily to help municipalities, which are responsible for implementing welfare policies, to provide better services. All welfare services for local people are run by municipalities or by municipalities in collaboration with the Norwegian Labour and Welfare Service. Municipalities are responsible

for ensuring that local people have adequate living conditions, and, by extension, that there is "adequate and secure housing for all". The responsibility of the Housing Bank is to enable municipalities to fulfil their responsibilities as successfully as possible. The Housing Bank can only succeed if the municipalities succeed. The main task of the Housing Bank is therefore to help municipalities to have efficient and targeted housing policies aimed at those people who cannot cope well themselves in the housing market.

The most important area of focus is related to the government's strategy on homelessness, and highlights the role of the Housing Bank as a regional welfare agency. Although the strategy *På veg til eigen bustad* ("Towards a home of one's own") officially came to an end in 2007, this area has continued to receive increasing priority. To provide homes to the homeless and other disadvantaged groups generate welfare gains. People who have their own homes are far less of a burden on public services than the homeless, as has been demonstrated by the results of a variety of projects. Municipalities are able to reduce their expenditure on social assistance and on various types of temporary accommodation.

### The Office of the Auditor General of Norway has investigated the housing options available to disadvantaged groups in the housing market

A report by The Office of the Auditor General of Norway (Document no. 3:8 (2007-2008)) makes several criticisms of work aimed at disadvantaged groups in the housing market. Amongst other things it points out the following:

- some disadvantaged people do not receive the help they need
- many disadvantaged people do not live in adequate and secure



Chair, Kristian Wibe, Centre Party, from Sparbu

accommodation (several municipalities report that their social housing is in a poor state of repair)

- policy instruments are not properly coordinated
- individual cases are not dealt with in a satisfactory manner at municipal level
- the Housing Bank has not been successful enough at building expertise and providing advice
- the central government does not have a clear enough picture of housing needs.

The Housing Bank has already started addressing all of the areas criticised by The Office of the Auditor General of Norway, but it has also looked at new ways of working, and is developing new approaches to housing disadvantaged groups. The BOSO programme to promote the development of social and affordable housing in selected municipalities has been developed at our Regional Office East (see feature article on pages 50-51). The Board believes that the Housing Bank has made progress in this area, and efforts will be further strengthened in 2009.

The Board considers it unfortunate that The Office of the Auditor General of Norway did not put its discussion of the problems and its subsequent criticisms in the context of the current framework for housing policy instruments. In principle start up loans, targeted housing grants and housing allowance can help all households that need help to reduce their housing costs to a level that is manageable based on their incomes. However, there are



Deputy Chair Barbro Lill Hætta-Jacobsen, Labour Party, from Harstad

important budgetary restrictions that prevent these financing schemes from fully reaching their targets. Expanding housing allowance would be particularly beneficial, as would a larger budget for targeted housing grants.

#### The Housing Bank and low-deposit homes

Low-deposit projects received a lot of media attention in 2008. Many of them had been sold at a time of low interest rates and rising house prices. The Housing Bank has reviewed housing co-operative projects financed during the period 2004-2007, with a particular emphasis on independent housing co-operatives. During that period, construction activity was very high. The Housing Bank financed 22 percent of this activity, equivalent to almost 30,000 housing units. Of these, 3,000 were in independent housing co-operatives. Whilst the Housing Bank issued loans to 30 independent housing co-operatives in both 2004 and 2005, only four such housing co-operatives received loans in 2007. Meanwhile, requirements for rent insurance were made stricter to reduce the risk of losses. It is not clear to what extent low-deposit housing co-operatives will face financial problems in the coming years. That will depend on the

strength of the economy, interest rates and unemployment. Those are the three most important factors. To date, none of the independent housing co-operatives financed by the Housing Bank in recent years have defaulted on their loans.

The Norwegian Institute for Urban and Regional Research

(NIBR) has written a report on low-deposit homes over the period 2004-2008. Using information obtained from low-deposit housing co-operatives, the researchers looked at areas such as home prices, financing, repayment of the joint debt of the co-operative and delinquency rates. NIBR found that delinquency rates were not high, and that the prices of these housing units had not diverged from those of other homes. NIBR concluded that there were no particular payment difficulties associated with low-deposit housing co-operatives. The Board's assessment of the report is that there is no reason to think that the low-deposit model is a bad way of helping young people and disadvantaged groups to get on the housing ladder. The model has helped many people to get their own homes, and to benefit from the wealth gains of recent years. Nevertheless, there have been some cases of misleading advertisement, poor estate agent practices, inadequate credit checks on buyers, lack of rent insurance and large numbers of speculators investing in projects. Those unfortunate circumstances have created problems for a few people, but the market is now aware of them.

The Board believes that the Housing Bank has financed good projects at market prices. In spite of that, individual shareholders may be struggling financially. The Board wants to encourage the use of the Housing Bank's package of policy instruments, including start up loans, to find appropriate solutions for shareholders in housing co-operatives facing payment difficulties. The Housing Bank has financed housing co-operatives right since it was founded in 1946. The housing co-operative has always been the Bank's customer, not the individual shareholders in the co-operative. The Housing Bank has never been involved in assessing the finances of the individual people who buy

shares in housing co-operatives. The Housing Bank will continue to carefully assess the cost levels of housing projects seeking financing, and will ensure compliance with the rent insurance requirement.

#### A More Detailed Look At Housing Policy Goals

##### Housing for the disadvantaged

Housing the disadvantaged generates large welfare gains. For that reason, work on housing disadvantaged groups has been given top priority. The goals that the Norwegian Parliament has set for the Housing Bank's work in this area are:

- preventing and combating homelessness
- ensuring that refugees can get on the housing ladder
- ensuring that people with reduced mobility can get their own homes
- ensuring that low-income groups can get on, and stay on, the housing ladder.

In other words, the disadvantaged in the housing market shall receive help to get on, and stay on, the housing ladder. It has also been a goal to provide more social housing, although the aim is also for as many people as possible to own their own homes.

The Housing Bank can only succeed in providing social and affordable housing by working closely with local authorities. Municipalities are the front-line service providers for disadvantaged groups. The Housing Bank is responsible for ensuring that financial instruments are available. The Housing Bank also offers expertise and systems to help local authorities get better at keeping up-to-date with local housing challenges,

and at establishing targeted and effective housing policies. In 2008 the Housing Bank and local authorities worked hard to provide housing to disadvantaged groups. They held 825 meetings, conferences, etc., almost half of which had housing for the homeless and disadvantaged groups as their main topics. Municipalities received grants to create almost 1,000 social housing units, 11 percent more than in 2007. The number of start up loans issued rose by seven percent to 6,500, and the amount of money disbursed by municipalities rose by 17 percent. The Board is very pleased that local authorities have taken a proactive approach to increasing the number of social housing units, and that start up loans appear to take on an increasingly important role in local authorities' housing policies.

The number of targeted housing grants issued fell by four percent in 2007. This slight fall in the take-up of targeted housing grants, and an increase in the number of applicants being rejected for a start up loan, suggest that high home prices have made it harder for low-income groups to get on the housing ladder.

It is the view of the Board that start up loans, in combination with targeted housing grants and housing allowance, are good policy instruments for first-time buyers and other disadvantaged groups. These measures help them to get on, and stay on, the housing ladder. Budget constraints on housing allowance and targeted housing grants mean that rules have to be reformulated to allow these instruments to improve their performance. A report by NIBR (NIBR 2008:13) states that current guidelines, such as those relating to income limits, have made it harder to coordinate the instruments effectively. The report also shows that there is potential for greater use of start up loans in many municipalities. The

Board believes that improvements to the housing allowance scheme, and the proactive efforts of the Housing Bank to spread information about the use of start up loans, have provided a good foundation for giving more people from disadvantaged groups possibility to buy their own home.

Measures aimed at the homeless have been a key element of the Housing Bank's work on housing policy. An evaluation of the national strategy to prevent and combat homelessness, *På veg til eigen bustad* ("The pathway to a permanent home" - NIBR report 2008:15), reveals that good progress has been made towards reaching the goals to reduce the number of eviction notices by 50 percent and the number of evictions carried out by 30 percent. Goals to reduce the use of temporary accommodation were not reached, mainly due to local shortages of housing. The Housing Bank must therefore intensify its efforts to encourage local authorities to make better use of the available policy instruments to provide more housing.

One important aspect of our strategy has been cooperation with other government agencies and setting up networks of local authorities. The networks have provided forums for the exchange of experiences and expertise. Evaluations also show that cooperation within municipalities has improved. This is most noticeable in the largest local authorities, that were also the most consistent to implement the initiatives introduced during the strategy period. Although the strategy "Towards a home of one's own" was formally brought to an end in 2007, work in this area has continued to expand in line with the central government budget appropriations. Grants for research and development have increasingly focused on work in the field of social and affordable housing,

as have meetings and conferences. We have also concentrated on improving the package of policy instruments available, so that it can reach more homeless people.

The Housing Bank's work on housing has a strong welfare slant. One of the keys to our work with the homeless has been to cooperate with other government welfare agencies: The Norwegian Correctional Services, the Directorate of Health, the Norwegian Labour and Welfare Service, health care institutions, etc., as well as voluntary organisations. This model is also used by the Housing Bank in all of its other work to provide housing for disadvantaged groups. The cooperation between The Norwegian Correctional Services, local authorities and the Housing Bank plays an important role in finding homes for people who are released from prison. Work to find a home starts as soon as the convicted person starts serving his or her sentence. The Housing Bank has used grants for research and development to support the efforts of The Norwegian Correctional Services to help convicted people to either keep the homes that they already have, or to find a home in cooperation with local authorities and voluntary organisations, as well as to support projects that help people released from prison to find a home and to hold onto it.

In the case of housing of refugees, a good partnership with the Directorate of Integration and Diversity (IMDi) has been developed at a national and local level. The Housing Bank's regional offices and local IMDi offices work together in their dealings with municipalities. The Housing Bank and IMDi have held a series of meetings with mayors,

chief administrative officers and municipal executive leaders throughout Norway to inform them of the need to provide housing for refugees. Almost 4,500 refugees moved into their own homes in Norwegian municipalities in 2008. These are people who have been granted asylum and need a home and other services from the local authority. Receiving and finding homes for refugees is voluntary on the part of municipalities. In spite of that, local authorities found homes for 600 more people in 2008 than in 2007. Our meetings with mayors and chief administrative officers have been very useful, and have resulted in municipalities being able to successfully make use of the package of policy instruments available. Of the roughly 4,500 refugees who were housed in Norwegian municipalities last year, 175 were under the age of 18. In 2009, 700 unaccompanied minor refugees will need a home. Ensuring that grants are provided for this group has been a particular area of concern for the Housing Bank in its meetings with local authorities.

The Housing Bank is a centre of expertise for housing policy. In 2008, research in the field of social and affordable housing was enhanced with a master's degree, further and higher education courses, and modules within several common core subjects at university colleges.



Heming Olaussen, Socialist Left Party, from Ramnes

In order to encourage further research in the field, five master's students were supported through Norwegian Social Research's programme looking at disadvantaged groups in the housing market. All of those students completed their theses in 2008.

In line with our overall focus on this area, even greater priority has been given to building expertise in the field, through the allocation of grants for research and development. In 2008, 66 percent of these funds went to projects on housing for disadvantaged groups. An evaluation of Housing Bank grants for research and development, showed that they have made important contributions towards the implementation of initiatives that would otherwise not have been prioritised. This is particularly true of local authorities' interdisciplinary development programmes in the field of social and affordable housing.

#### A properly functioning housing market

Turbulence in financial markets has had a major impact on the housing market, and last year banks tightened credit conditions and also raised interest rates. The interest rates offered by private banks depend on Norges Bank's (Norway's central bank) key rate and on the money markets. Money market interest rates are an important cost for banks. The government, Norges Bank and private banks all participate actively in the money markets, as do overseas players, and they can to varying degrees influence the total amount of money available to consumers.

House prices increased each year since 1993, with the total increase being three times the increase in construction costs. However that trend has now been reversed. In total, house prices fell by an average of 7.5

percent from 2007 to 2008, with prices of all types of homes falling. Prices fell most in the big cities, including detached houses, other houses and flats.

Another indicator of the state of the housing market is the construction order backlog. The index of new orders for residential property is below the level in 2000 (the base year for the index). According to Statistics Norway, volumes have not been this low since the 1990s. During that period, between 15,000 and 20,000 new homes were started each year.

The combination of falling home prices and rising construction costs, as well as fewer orders, is reducing the number of houses being built. The number of homes started in 2008 was just over 24,000, which was almost 30 percent lower than the previous year. In the counties of Oppland and Troms, the number of new home starts fell by more than half.

A balanced housing market is most efficient if the rate of construction is relatively constant, mirroring population growth, whilst prices follow construction costs plus site costs. The Board believes that the Housing Bank should help to create stability and supplement the financial markets by providing funding on good, predictable terms, mainly to disadvantaged groups.

The Housing Bank helped to prevent the decline in the housing market that could have been even greater. The number of start up loans it disbursed increased by seven percent, and basic loans were provided to 20 percent more households than in 2007. From 2009 onwards, construction costs may increase in line with the consumer price index. Lower construction costs will be one of the factors that will help

to return residential construction to growth in the medium term. However, the general economic climate suggests that construction will continue to decline in 2009.

There has been a particularly sharp fall in demand for mortgages amongst first-time buyers. This can be seen from Norges Bank's survey of bank lending, and Statistics Norway's credit indicator. A secondary effect is that the additional collateral being demanded by banks is making it difficult to get bridging loans, which means that turnover in the housing market falls, and thereby contributes to push prices even lower.

The interest rate hikes in 2008 created problems for some households with large mortgages and low incomes. This had a particularly big impact on people who had bought their first homes just before interest rates started to rise, and on households that for a variety of reasons were forced to sell, for example due to broken relationships. It is no longer as easy for these households to remortgage as it was before. One result is that the total number of compulsory sale notices has increased somewhat. As a result of interest rate cuts at the start of 2009, the number of these notices may come down again. To date, the Housing Bank's statistics on its loan portfolio do not provide any grounds for saying that delinquency rates amongst its customers are rising.

Our expectation is that in 2009 home building will fall significantly and unemployment will rise. Some households will therefore struggle to meet their commitments. The Housing Bank offers good, predictable terms of payment, and our experience of the previous downturn in the late 80s and early 90s suggests that the Housing Bank's lending programmes - both

basic loans and start up loans - will play an increasingly important role in the market.

The Housing Bank is particularly expecting greater demand for start up loans from municipalities. Start up loans are an effective instrument in the current climate, for remortgaging, re-establishment and first-time purchases. This is firstly because they can alleviate the critical situation in which some households will find themselves as a result of struggling to pay expensive private mortgages, but also because greater use of start up loans by local authorities will help to push up turnover in the market.

#### Promoting green housing

The Housing Bank's environmental activities are based on the Ministry of Local Government and Regional Development's Environmental Action Plan (2005-2008). The Board wants the Housing Bank to be a driving force behind efforts to achieve national environmental goals in the housing and construction sector. This involves reducing energy consumption, minimising the use of substances that are hazardous to health and the environment in buildings, reducing construction waste and increasing recycling of construction materials

#### Homes that require 50 percent less energy

One of the key national environmental goals in the housing and construction sector is that half of all new homes shall require 50 percent less energy in 2010. The Board is therefore pleased that almost 60 percent of the new homes financed by the Housing Bank in 2008 were low energy homes.

The Board would also like to point out that low energy projects are now also underway that are not being financed by the Housing Bank. There is also increasing interest from developers,

municipalities and private individuals in passive houses. For many of these projects the developers turn to the Housing Bank for advice, even if they choose other sources of financing.

The Housing Bank has several ways of promoting high quality buildings and outdoor areas: loans, grants, information and advice. Grants for research and development from the Housing Bank have been used to support projects that stimulate innovative environmental solutions. The Housing Bank also supported the planning and implementation of pilot projects, which may have a great deal of transfer value in the future.

#### Courses, conferences and knowledge sharing

The Housing Bank held a number of seminars and conferences in 2008 with a special focus on energy and environmental issues:

- the first Nordic conference on passive houses, focusing on projects that are good examples of different passive house designs
- several theme days on Swan labelling of houses held throughout Norway
- conference on refurbishing homes to passive house standards with international speakers
- course organised jointly with SINTEF on calculating energy savings in accordance with Norwegian Standard 3031, held throughout Norway.

One important aspect of the Housing Bank's work on energy efficiency and the environment is knowledge sharing. This is mainly done through internet. Our websites have information about

the latest developments in the field, research reports and example projects.

The Housing Bank's experience is that in addition to specifying requirements when financing projects, it is important to provide training, make research results available and provide good example projects in order to achieve environmental goals.

#### Universal design - the future is accessible to everyone

Universal design is an integral part of the Housing Bank's work both when providing loans and spreading information. The aim is for universal design to become a natural part of all planning. This means that buildings and outdoor areas are to be designed for the elderly, families with children, the disabled and other groups. This improves quality of life, and makes it possible for everyone to participate in all areas of society. The rapid growth in the number of elderly people expected in coming years poses significant challenges in terms of providing homes and buildings that are well designed for elderly people with reduced mobility. Society will benefit from homes and residential areas being designed in such a way that most people can function there on a day-to-day level and remain living at home for as long as possible.

In conjunction with applications for basic loans, the Housing Bank helps to ensure that the potential for universal design in



Liv Rosslund, Progress Party, from Fyllingsdalen

each individual development is exploited. The Board believes that things are moving in the right direction. In 2008, three quarters of Housing Bank financed homes featured universal design elements.

#### Early involvement in projects

Through letters of intent with developers and pre-project meetings, the Housing Bank helps to put universal design on the agenda of the projects. This means that in the future there will be more homes that are suitable for everyone.

Spreading information plays an important role in our efforts to promote universal design. For that reason, employees at the Housing Bank have held a number of lectures on the subject in a variety of contexts, and a competition has also been held for schools in Mid-Norway. The Housing Bank has previously helped to create a study programme on universal design for primary and lower secondary schools. The Housing Bank is also working with educational institutions to make universal design a subject that is studied by engineers, trades people, planners and architects. Through the allocation of grants for research and development, the Housing Bank has also facilitated a number of courses and conferences run by other organisations, including local authorities. We have also helped to build expertise by funding R&D projects and the planning of more accessible urban environments.

The Housing Bank's most important target groups are municipalities and developers. They are the front-line providers to the general population.

But by running a successful, joint information campaign with the National Office of Building Technology and Administration we have also helped to raise awareness of universal design amongst the general public.

#### New standard for universal design

The Housing Bank has run the scheme Fjerne 100 hindringer ("Removing 100 barriers") at the behest of the Ministry of the Environment, and allocated NOK 3.5 million to 25 different projects in 2008. This covers everything from small projects such as automatic doors in buildings that are open to the general public to major projects such as installing lifts in town halls.

The Housing Bank has also been involved in drawing up proposals for a new Norwegian Standard for universal design. This will help to guide developers when we decide to move beyond the existing life-time housing standard. All of this is supposed to support the aim of building the homes of the future: good quality buildings that consume less energy and are accessible to everyone

#### Main Priorities Looking Forward

##### Homes for disadvantaged groups are the biggest challenge

In terms of future housing policy, the Housing Bank considers that there are three main challenges:

- disadvantaged groups who fall outside the system or who do not receive enough help to access a home of their own
- the need for greater knowledge and expertise on social and affordable housing in municipalities
- the shortage, and inadequate quality, of social housing.

In order to meet these challenges, the Housing Bank has made the following budget proposals to the Ministry of Local Government and Regional Development:

- housing allowance should be expanded
- the terms of payment for start up loans should be made more generous
- targeted housing grants should be used more effectively to finance owner occupied homes
- new tools/ models should be developed to make the transition from renting to owning simpler and smoother.

The Board believes that these measures could help to improve the coordination between the various affordable housing policy instruments, and make it possible to put together better and more flexible packages of policy instruments. Equally importantly, we must focus on municipalities, which are responsible for implementing housing policy.

In the coming years it will be possible to set ambitious goals for reducing the number of stays in temporary accommodation for people who are released from prison and who are released from institutions, and for limiting stays in temporary accommodation to a maximum of three months.

Local authorities are also currently finding that increasing numbers of people are asking them for help with obtaining, or holding onto, their own homes. These challenges come on top of the ones already faced by municipalities in terms of housing refugees, substance abusers, the disabled and other groups with special housing needs.

##### Coordination of policy instruments and methodologies

The Housing Bank believes that housing allowance is the most important

instrument both for ensuring that individuals live safely and for promoting the provision of more social housing. This view is also supported by several research reports, including those by Econ Pöyry and Norwegian Institute for Urban and Regional Research (NIBR). As a result, the Housing Bank has on several occasions proposed expanding the use of housing allowance greatly, both by giving the people covered by the scheme more support and by raising income ceilings, thus entitling more people to support.

In a previous report (Østerby 2007), NIBR showed that the old housing benefits ceased to be payable at income levels close to those defined by National Institute for Consumer Research (SIFO) as characterising disadvantaged households. Norwegian Social Research has shown that housing allowance is phased out more quickly for households with lots of members than for smaller households, if you base your analysis on standard definitions of poverty. The Board will therefore continue to focus on coordinating housing allowance with other welfare policy instruments.

In order to improve the packages of policy instruments available, and particularly the combination of housing allowance, start up loans and targeted housing grants, the Housing Bank has also looked at the arrangements for start up loans. One possibility is to increase the repayment period in order to reduce the monthly burden, thereby making housing allowance more efficient. Another is to look again at the allocation of losses, to encourage more municipalities to make greater use of start up loans than is currently the case.

The Housing Bank is aware that the supply of social housing is inadequate in relation to current demand.

Amongst other things, the increasing flow of refugees poses a major challenge for local authorities. A forecast by IMDi in 2008 estimated housing demand at 5,000 in 2009, rising to just over 8,000 in 2009. (The government's economic stimulus package in January 2009 set a target of increasing the number of rental units to 3,000 from approx. 1,000 in 2008.) Generally available, improved housing allowance would be an important factor in improving supply, by making it possible for local authorities to plan with greater confidence what income will be obtainable from new rental housing. Also, municipalities are finding that lower targeted housing grants are making it less profitable to provide housing. The Housing Bank must therefore on the one hand show flexibility in its allocation of grants, but also be good at providing information about housing allowance, which have now been expanded, so that local authorities realise that this allowance ensure that all tenants in social housing have sufficient income to pay their rent.

In addition to the financial instruments, it is also very important that the Housing Bank provides advice and expertise. Various surveys show that it is necessary to increase the expertise of local authorities in the field of social and affordable housing. The need for greater knowledge and expertise varies greatly from municipality to municipality. This means that efforts to improve the situation must also include an attempt to spread knowledge between municipalities.

ECON Pöry's report ("Social housing - reasons for slow growth") (2008) highlights the need for clearer demarcation of areas of responsibility and better cooperation. Responsibility is often shared between several departments, without any of them having

overall responsibility for areas such as planning and reporting the needs of target groups up through the system. Better cooperation within the welfare sector would therefore make the system more efficient and lead to more welfare gains.

The Board would also like to mention Groruddalen project, an urban redevelopment project in an area of Oslo, which was initiated in 2007. The Housing Bank is the government agency responsible for the project, which involves wide-ranging initiatives on social and affordable housing and the environment in four boroughs of Oslo. This is a new way of working, which is giving the Housing Bank useful experience of collaborating with other organisations, and that makes it possible to further develop the approach and method in an interdisciplinary context.

#### Continued investment in research and development

The Housing Bank must facilitate the systematic and strategic use of grants for research and development in order to improve housing policy at municipalities. This strategic approach is supported by both Norwegian

Social Research and the reports of The Office of the Auditor General of Norway. The Board has noted that the reports show that where the Housing Bank has been present in municipalities, they are pleased with the help received from the Bank. However, the Housing Bank is not good enough at picking up on local authorities that are not doing well enough at housing disadvantaged groups.

For the Housing Bank, it wouldn't be right to give equal priority to all municipalities, nor is it possible given the available resources. The Board believes that it is necessary to test out collaboration models with selected local authorities where the use of government funds and grants for research and development become part of a more binding, long-term partnership than is currently the case.

Grants for research and development are primarily supposed to help local authorities to become better at providing housing to disadvantaged groups, as well as improve how they deal with people with multiple life problems. That will allow us to increase their expertise on both welfare and housing policy, and also move these issues up the political agenda of municipalities.

The Housing Bank shall develop mutually binding, long-term collaboration models for the Housing Bank and municipalities facing major challenges.

Major deficiencies have been found with housing policy both at national and local level. This is particularly true of the role of social and affordable housing within a redistribution model and the welfare state. From an organisational point of view, research on this area of housing policy is often done

away from the research communities working on welfare policy. The Board is looking forward to there being greater investment in research on housing.

#### Risk management – continuing to operate responsibly

In 2007, the Housing Bank introduced a risk management model based on the principles set out by the Government Agency for Financial Management. That model was refined in 2008, and it now matches the goal structure of housing policy and has been incorporated into the steering documents of the Housing Bank.

The main conclusion of our risk assessment in 2008 was that most of our areas of activity constitute a low to moderate risk. Nevertheless, the Board notes that the review revealed important areas where there is significant risk, which is what The Office of the Auditor General of Norway also concluded in its report. In relation to the main goal of increasing the provision of housing for disadvantaged groups, this particularly applies to:

- the implementation of the new housing allowance scheme
- inadequate mapping of disadvantaged groups
- inadequate procedures at municipalities for deciding on whether to approve or reject applications for social housing
- inadequate expertise on, and utilisation of, the package of policy instruments available by municipalities.

These areas correspond to the way in which the Housing Bank prioritises its work on social and affordable housing, and these areas are

constantly being evaluated and improved. Specific measures to deal with the problems include:

- a survey of homeless people being carried out by Norwegian Institute for Urban and Regional Research on behalf of the Housing Bank, which will be published in the first half of 2009
- a separate project at the Housing Bank, which involves counting the number of individual homeless and disadvantaged people in each municipality
- developing a web portal for the management, operation and maintenance of social housing. Rules and procedures for how local authorities shall handle cases will be part of the service
- organising regional conferences with the Norwegian Association of Local and Regional Authorities to spread information about the package of policy instruments available. (Municipalities also need better systems for handling applications, which is being considered in conjunction with the Housing Bank's IT action plan.)

Delinquency rates and loan losses have been very low in recent years. Both delinquencies and losses reached record lows in 2008. Nevertheless, the Board would again like to stress that changes to its lending activities in recent years have exposed it to greater potential losses, for example in relation to private nursery schools.

The Board is aware that the Ministry of Finance is working on changes to the way in which losses at the Housing Bank are dealt with, which will involve allocating funds through the central government budget to

cover losses. The Board has focused hard on improving systems for assessing risk and will continue to work on this area.

#### The Board's conclusions are as follows:

**The Housing Bank is helping to achieve the main goals of the government's housing policy, and is generating important welfare gains. Loan losses are minimal, and financial management is strong. There is no doubt that the going concern assumption is justified**

#### The Board thanks the Bank's employees

The role of the Bank as a centre of expertise and consultant for municipalities was further reinforced in 2008, which means that our employees are constantly having to adapt and learn new skills. Many people have pointed out that we can still improve our performance. But the Housing Bank is heading in the right direction, and the Board would like to congratulate its employees on rising to the difficult challenge of creating a centre of expertise on welfare policy that is of benefit to local authorities. The Board would therefore like to thank the Bank's employees for their efforts in 2008, and encourage everyone to keep up the good work towards ensuring that everyone has an adequate and secure home.



Ingjerd Scuou, H, from Spydeberg

## Profit and Loss Account at 31 Dec.

	Notes	2008	2007	2006
Amounts in whole NOK 000s				
<b>Interest and similar income</b>				
Interest and other inc. on loans to, and receivables from, fin. inst.	1	5 976	9 163	5 474
Interest and other inc. on loans to, and receivables from, customers	1,11	4 692 319	3 999 783	3 690 651
<b>Total interest and similar income</b>		<b>4 698 294</b>	<b>4 008 946</b>	<b>3 696 125</b>
<b>Interest and similar expenses</b>				
Interest and other expenses on subordinated debt (Treasury receivables)	1	5 976	9 163	5 474
Other interest and expenses (on state funding)	1	4 713 316	4 020 916	3 713 982
<b>Total interest and similar expenses</b>		<b>4 719 292</b>	<b>4 030 079</b>	<b>3 719 456</b>
<i>Net interest and commission income (interest support)</i>		-20 997	-21 133	-23 331
<b>Commission income and income from banking services</b>				
Fee income	2	15 515	17 120	18 692
<b>Commission expenses and cost of banking services</b>				
Fee expenses		2 387	2 626	3 627
<b>Other operating revenues</b>				
Revenue from budget appropriations	2	321 671	315 538	309 887
Other operating revenues	2	14 480	14 547	14 435
<b>Total other operating revenues</b>		<b>336 151</b>	<b>330 085</b>	<b>324 322</b>
<b>Wages, salaries and general administrative expenses</b>				
Wages, salaries, etc.	3	194 463	176 019	170 878
Other administrative expenses	4	102 267	103 285	106 026
<b>Total wages, salaries and general administrative expenses</b>		<b>296 731</b>	<b>279 304</b>	<b>276 904</b>
<b>Depreciation of tangible and intangible fixed assets</b>				
Ordinary depreciation	6,7	7 849	7 400	5 885
<b>Total depreciation of tangible and intangible fixed assets</b>		<b>7 849</b>	<b>7 400</b>	<b>5 885</b>
<b>Losses on loans, guarantees, etc</b>				
Losses on loans	5,10	9 857	10 638	16 993
<b>Profit/loss before settlements</b>		<b>13 845</b>	<b>26 104</b>	<b>16 274</b>
<b>Settlements</b>				
Settlement with Treasury (gross budgeted amount)	8	-23 403	-34 598	-28 934
Reversed deferred revenues on disposal of non-current assets		0	0	0
<b>Total settlements</b>		<b>-23 403</b>	<b>-34 598</b>	<b>-28 934</b>
<b>Administration of grants</b>				
Transfers from Treasury for grants payable to others	9	5 943 169	6 297 565	5 222 326
Payments of grants to others	9	-5 943 169	-6 297 565	-5 222 326
<b>Total administration of grants</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Profit/loss for the financial year</b>		<b>-9 558</b>	<b>-8 494</b>	<b>-12 660</b>
<b>Transfers and appropriations</b>				
Transferred from contingency reserve	10	9 558	8 494	12 660

  
Kristian Wibe

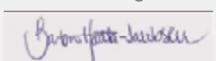
  
Liv Røssland

## Balance sheet

Amounts in whole NOK 000s

	Notes	2008	2007	2006
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intellectual property and other intangible assets	6	39 235	28 917	22 918
<b>Total intangible assets</b>		<b>39 235</b>	<b>28 917</b>	<b>22 918</b>
Buildings, sites and other real property	7	3 125	3 125	3 209
Machinery and vehicles	7	4 502	4 071	4 291
Equipment, fixtures, fittings, etc.	7	16 218	14 409	15 054
<b>Total fixed assets</b>		<b>23 845</b>	<b>21 605</b>	<b>22 554</b>
Bonds and other receivables	11	100 949 118	96 935 630	94 434 699
<b>Total financial fixed assets</b>		<b>100 949 118</b>	<b>96 935 630</b>	<b>94 434 699</b>
<b>Total non-current assets</b>		<b>101 012 198</b>	<b>96 986 152</b>	<b>94 480 171</b>
<b>Current assets</b>				
Accounts receivable	12	41 822	38 458	33 333
Other receivables	13	7 661	12 681	8 527
Accrued income	14	1 150 208	983 909	849 162
<b>Total receivables</b>		<b>1 199 691</b>	<b>1 035 048</b>	<b>891 022</b>
<b>Cash in hand and at bank</b>				
Cash at bank	15	109 945	103 855	205 590
Other cash and cash equivalents	15	17	6	4
<b>Total cash in hand and at bank</b>		<b>109 962</b>	<b>103 861</b>	<b>205 594</b>
<b>Total current assets</b>		<b>1 309 653</b>	<b>1 138 909</b>	<b>1 096 616</b>
<b>Total assets</b>		<b>102 321 851</b>	<b>98 125 061</b>	<b>95 576 787</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Primary capital certificates	10	20 000	20 000	20 000
Contingency reserve	10	58 086	67 644	76 137
<b>Total equity</b>		<b>78 086</b>	<b>87 644</b>	<b>96 137</b>
<b>Liabilities</b>				
<b>Non-current provisions</b>				
Deferred appropriations for non-current assets	6,7	61 955	49 397	44 263
<b>Total non-current provisions</b>		<b>61 955</b>	<b>49 397</b>	<b>44 263</b>
<b>Other non-current liabilities</b>				
Other non-current liabilities/borrowings	16	100 922 102	96 865 104	94 415 606
<b>Total other non-current liabilities</b>		<b>100 922 102</b>	<b>96 865 104</b>	<b>94 415 606</b>
<b>Current liabilities</b>				
Tax due		7 352	6 433	6 294
Accrued holiday pay		16 842	15 431	14 252
Unearned revenues	14	673 982	611 992	595 211
Other current liabilities	17	422 041	367 535	321 666
<b>Total current liabilities</b>		<b>1 120 217</b>	<b>1 001 391</b>	<b>937 423</b>
<b>Settlement with Treasury</b>				
Settlement with Treasury (gross budgeted amount)	8	139 491	121 525	83 358
<b>Total</b>		<b>139 491</b>	<b>121 525</b>	<b>83 358</b>
<b>Total liabilities</b>		<b>102 243 765</b>	<b>98 037 417</b>	<b>95 480 650</b>
<b>Total equity and liabilities</b>		<b>102 321 851</b>	<b>98 125 061</b>	<b>95 576 787</b>
Loans approved or conferred, but not yet disbursed, at 31 Dec.		10 797 584	12 685 703	13 896 575
Grants approved or conferred, but not yet disbursed, at 31 Dec.		889 628	450 316	1 755 693
Housing allowance due (2007 and 2008: 1 month 2006: 3 payments)		203 437	191 034	747 545

Drammen, 31 December 2008/ 10 March 2009

  
Barbro Lill Hætta-Jacobsen

  
Ingjerd Schou



# Accounting Principles

The annual financial statements have been prepared in accordance with the Norwegian Public Sector Accounting Standards (SRS) and the advisory notes that have been drawn up in conjunction with the testing of accrual accounting at selected state-owned enterprises. The Housing Bank has been given dispensation to deviate from the standard by using the cash method to measure loan losses when valuing its loan portfolio. For housing allowance and other grant schemes administered by the Housing Bank, the cash method is used in accordance with the Norwegian State Financial Procedures. The Housing Bank has also been given dispensation to use a customised bank template for its profit and loss account.

## Opening Balance

The state-owned enterprises taking part in the accrual accounting project have established opening balances based on guidelines provided by the Ministry of Finance. For establishing the opening balances, it has been assumed that the utility value based on replacement cost is the value of physical assets, whilst the nominal (par) value has been used for financial assets. The Bank's loan portfolio has therefore been measured at the book value of receivables, without taking into account potential impairment losses.

When calculating replacement cost, wear and tear, state of repair and other factors that affect valuations have been taken into account. For sites, buildings and infrastructure, the replacement cost is based on estimates calculated and documented by the business itself. The value of heritage assets, as well as art and books, are in principle not

included in the opening balance. Residential properties that are not subject to ordinary depreciation are carried at cost or 80% of the estimated market value.

On initial recognition, the financing for non-current assets (excluding financial fixed assets) is classified as a non-current liability. This liability is reduced in line with the depreciation of the non-current assets that it was used to finance.

Current assets are measured at fair value. Current assets, less current liabilities and any other liabilities, are shown as a settlement with the Treasury.

## Transaction Based Income

Transactions are measured at the value of the consideration on the transaction date. Revenue from the sale of goods is recognised upon delivery. Revenue from the sale of services is recognised in parallel with the delivery of the service. The balance sheet of the Housing Bank includes accrued fee income to cover the cost of the administrative work associated with servicing loans and collecting interest and principal repayments.

## Revenues From Activities Financed Through Budget Appropriations

Budget appropriations are recognised as revenues in the period during which the activity financed by them is performed. In other words, the period in which the expenses accrue. In the annual financial statements, the final budget appropriation for the year is recognised as revenue. The final appropriation is the sum of the appropriations for the year plus any debit mandates under entry 01-29.

Unused appropriations that are not transferable to the following financial year are not recognised as revenues.

Appropriations for investments are entered on the balance sheet as deferred appropriations for non-current assets, at the amount actually invested during the financial period. Transferable appropriations for investments are not recognised as revenues.

## Expenses

Expenses relating to transaction-based revenues are charged to income in the same period as the associated revenues. Expenses that are financed through appropriations are charged to income in the period in which the activities financed by the appropriations were performed.

## Pensions

The accrual accounting project uses a simplified approach to accounting for pensions. No provision has therefore been calculated or made for any potential pension surplus/ deficit in accordance with NRS 6. The pension cost for the year is therefore equal to the annual premium paid to the Norwegian Public Service Pension Fund (SPK). The premiums payable are set out in note 3.

## Classification And Valuation Of Assets

Current assets and liabilities are items that are due for payment within one year of their acquisition, including interim items associated with the payments cycle. Other items are classified as non-current assets/ liabilities.

Current assets are measured at the lower of cost and fair value. Current

Oslo City Council and the Housing Bank have collaborated on the project "Small houses" for former substance abusers.  
Photo: The Housing Bank, Mette Presterud

liabilities are carried at their original nominal values.

Non-current assets are carried at cost, but are written down to fair value in the event of a change of use.

#### Intangible Assets

Externally purchased intangible assets are capitalised. This includes new systems and modern IT solutions developed in partnership with external consultants. Major investments of this kind are capitalised as intangible fixed assets, and are depreciated over their anticipated useful lives.

#### Fixed Assets

Fixed assets are capitalised and depreciated over their anticipated useful lives. In order to offset the depreciation charge, an equivalent amount is deducted from the liability that was established when the investment was made.

#### Financing Of Accrued/ Prepaid Items

##### Current assets / liabilities

For gross budgeted activities, the net value of all balance sheet items, except tangible and intangible fixed assets, has a contra entry in the settlement with the Treasury. The settlement thus states the government's equity in current items and any fixed financial assets.

##### Non-current assets

The contra entry for the carrying amount of tangible and intangible fixed assets is Deferred appropriations for fixed assets. This represents the financing of these fixed assets. When new intangible and tangible fixed assets are acquired, their cost is capitalised on the balance sheet. This cost is deducted from the entry Revenues from appropriations in the profit and loss account, and is added to the balance sheet under Deferred

appropriations for fixed assets.

Fixed asset depreciation is charged to the profit and loss account. As depreciation is expensed, an equivalent amount is recognised as revenue under Revenues from appropriations. This is done by gradually reducing the financing item Deferred appropriations for fixed assets. This means that all intangible and tangible fixed assets, with the exception of housing units capitalised prior to 1 January 2005, are fully financed through deferred appropriations for fixed assets.

When disposing of fixed assets, any accounting gain/ loss is recognised in the profit and loss account. Gains/ losses are calculated as the difference between the selling price and the carrying amount at the time of disposal. The residual carrying amount of the deferred appropriations for the fixed asset in question at the time of disposal is recognised as revenue.

##### Fixed Financial Assets

The Bank's loan portfolio is classified as a *Fixed financial asset*. Loans are financed through loans from the government, and generally have their contra entries in the line Other non-current liabilities. Discrepancies are the result of overdue payments and accrued interest/ fees under current receivables, which have their contra entries under *Settlement with Treasury*.

##### Receivables

Accounts receivable and other receivables are carried at face value. Receivables are not tested for impairment and do not therefore take into account anticipated losses.

Losses are only charged to the contingency reserve once they have been recognised under the cash method.

#### Self-Insurance Principle

The state is self-insured. There are therefore no items on the balance sheet or profit and loss account that attempt to reflect alternative net insurance costs or liabilities.

#### The Norwegian State Cash Pooling System

State-owned enterprises participate in the Norwegian state cash pooling system. This involves all deposits/ payments being reconciled with the Bank's settlement accounts at Norges Bank (Norway's central bank) on a daily basis.

The Housing Bank does not receive liquid assets during the year. State-owned enterprises are entitled to make withdrawals from the cash pool up to the limit of their net budget appropriation. The difference between appropriations recognised as revenues and net withdrawals from the cash pool is included under Settlement with Treasury. At the end of the year, there are special rules for the settlement/ transfer of outstanding amounts. The balances of individual settlement accounts at Norges Bank are zeroed when they are transferred to the next financial year.

#### Cash Flow Statement

The cash flow statement has been prepared using the direct method, adapted for state-owned enterprises. Cash comprises the contra entry of the Bank's primary capital certificates and contingency reserve, in addition to temporary differences arising from unearned revenues from interest and fees.

# Auditing of the Housing Bank' 2008 Financial Statements

#### The Office of the Auditor General of Norway is the Housing Bank's auditor

Pursuant to Act 21 of 7 May 2004 on The Office of the Auditor General of Norway, the Housing Bank's auditor is The Office of the Auditor General of Norway. On completing its annual audit, The Office of the Auditor General of Norway produces a final audit report, summarising the findings of its audit. The audit report is only published once The Office of the Auditor General of Norway has reported the results of the audit to Parliament in October/ November, cf. Section 18 of the Act on The Office of the Auditor General of Norway.



The SAFIR centre for voluntary efforts to combat substance abuse in Urtegata in Oslo.  
Photo: Thomas Bjørnflaten

# Cash Flow Statement

	Amounts in whole NOK 000s		
	2008	2007	2006
<b>Cash flows from operating activities</b>			
<b>Inflows</b>			
Inflows relating to external budget chapters	521	407	144
Charges, fees and licences	16 046	17 165	18 692
Grants and transfers from other government agencies	0	0	0
Interest income	4 622 753	3 982 645	3 710 743
Principal repayments	8 095 634	9 581 611	10 620 331
Refunds received	5 467	4 379	4 859
Other inflows	16 953	12 177	9 053
<b>Total inflows</b>	<b>12 757 374</b>	<b>13 598 384</b>	<b>14 363 822</b>
<b>Outflows</b>			
Wages, salaries, etc.	-166 619	-155 622	-165 868
Purchase of goods and services for resale and own consumption	-113 408	-114 996	-147 135
Disbursement of grants	-3 523 963	-3 961 606	-3 008 761
Disbursement of housing allowance	-2 420 940	-2 335 960	-2 213 895
Disbursement of new loans	-12 157 874	-12 031 108	-10 828 364
Outflows relating to external budget chapters	-5 879	-4 567	-3 694
Other outflows	0	0	0
<b>Total outflows</b>	<b>-18 388 683</b>	<b>-18 603 859</b>	<b>-16 367 717</b>
<b>Net cash flows from operating activities *</b>	<b>-5 631 309</b>	<b>-5 005 475</b>	<b>-2 003 895</b>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of fixed assets	0	2 100	4 272
Purchase of fixed assets	-20 407	-12 534	-14 069
<b>Net cash flows from investing activities</b>	<b>-20 407</b>	<b>-10 434</b>	<b>-9 797</b>
<b>Cash flows from financing activities (net budgeted)</b>			
Proceeds from the sale of fixed assets	0	0	0
Return of equity investments	0	0	0
<b>Net cash flows from financing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net cash flows during the year	-5 651 716	-5 015 909	-2 037 023
Cash and cash equivalents at start of period	103 861	205 590	193 840
<b>Cash and cash equivalents at end of period</b>	<b>-5 547 855</b>	<b>-4 810 319</b>	<b>-1 843 183</b>
<b>* Reconciliation</b>			
	<b>2008</b>	<b>2007</b>	<b>2006</b>
Profit for the year	-9 558	-5 055 070	-2 026 738
Profit for the year HTU (SIFBO up to 31 Dec. 2007)	-5 797	-248	-290
Housing allowance and grants disbursed	-5 943 169	0	0
Net proceeds/ payments relating to loan administration	598 825	0	0
Gain/loss on the sale of non-current assets	0	-2 016	-4 044
Book value of non-current assets disposed of	0	-84	-116
Ordinary depreciation	7 849	7 400	5 885
Net settlements	23 403	-34 598	-28 934
Gross revenues from appropriations (gross budgeted amount)	-334 229	0	0
Employers' NICs recognised in cap. 5700	21 242	20 125	19 056
Interest support	0	21 133	23 331
Provision for deferred revenues (purchase of non-current assets)	-20 407	12 534	14 069
Changes in deferred appropriations for non-current assets	12 558	0	0
Changes in accounts receivable	-3 364	144 026	108 099
Entries classified as investing or financing activities	20 407	-10 434	-9 797
Interest income accrued on subordinated debt	5 976	0	0
Changes in other accruals	-5 045	-108 243	-104 416
<b>Net cash flows from operating activities</b>	<b>-5 631 309</b>	<b>-5 005 475</b>	<b>-2 003 895</b>

(\*) The method for reconciling the cash flow statement with the profit and loss account changed as of the 2008 financial year. That means that the figures for 2006 and 2007 in the reconciliation are not directly comparable to the figures for 2008.

# Notes to the Financial Statements (1-2)

## Note 1 Financial income and expenses

	Amounts in whole NOK 000s		
	2008	2007	2006
<b>Financial income</b>			
Interest on cash at bank	5 976	9 163	5 474
Interest income on loans	4 692 319	3 999 783	3 690 651
<b>Total financial income</b>	<b>4 698 295</b>	<b>4 008 946</b>	<b>3 696 125</b>
<b>Financial expenses</b>			
Interest and other expenses on accounts payable to Treasury	5 976	9 163	5 474
Interest expenses	4 713 316	4 020 916	3 713 982
<b>Total financial expenses</b>	<b>4 719 292</b>	<b>4 030 079</b>	<b>3 719 456</b>
<b>Government interest support</b>	<b>20 997</b>	<b>21 133</b>	<b>23 331</b>
<b>Basis for calculating interest rate expense on invested capital:</b>			
	<b>at 31 Dec.2008</b>	<b>at 31 Dec.2007</b>	<b>at 31 Dec.2006</b>
Carrying amount of intangible assets	39 235	28 917	22 918
Carrying amount of fixed assets	23 845	21 605	22 554
<b>Total</b>	<b>63 080</b>	<b>50 522</b>	<b>45 472</b>
Average capital employed over the financial year:	56 801	47 997	41 438
Interest rate fixed for the financial year:	4,64 %	3,75 %	3,25 %
<b>Calculated interest expense on invested capital</b>	<b>2 636</b>	<b>1 800</b>	<b>1 347</b>

The calculation of the interest expense on capital invested in the business is shown here in accordance with the "Draft guidance note on interest on capital". The calculated interest expense on invested capital is only given for information in the notes. The calculated interest expense is not included in the financial statements.

## Note 2 Specification of operating revenues

	Amounts in whole NOK 000s		
	2008	2007	2006
<b>Revenues from appropriations</b>			
Appropriations recognised as revenues from the sectoral Ministry *	334 229	320 672	318 071
- gross amount used for investments/fixed assets of the year's budget appropriations/operating subsidy	-20 407	-12 534	-14 069
+ deferred revenues from liabilities related to investments (depreciation)	7 849	7 400	5 885
<b>Total revenues from appropriations</b>	<b>321 671</b>	<b>315 538</b>	<b>309 887</b>
<b>Fees and licences</b>			
Arrangement fees	1 095	1 442	1 341
Management fees	11 357	12 151	13 289
Reminder fees	2 969	3 431	3 876
Other fees related to loan administration	95	96	186
<b>Total fees</b>	<b>15 515</b>	<b>17 120</b>	<b>18 692</b>
<b>Other revenues</b>			
Penalty interest on overdue instalments	4 070	3 827	3 352
Repaid targeted housing grants conferred before the financial year	9 943	8 275	6 482
Rent and other miscellaneous revenues	467	549	558
Property sales (*)	0	1 896	4 043
<b>Total other revenues</b>	<b>14 480</b>	<b>14 547</b>	<b>14 435</b>
<b>* Additional information:</b>			
	<b>2008</b>	<b>2007</b>	<b>2006</b>
Revenue appropriation Cap. 5312.01 Fees etc.	-18 787	-19 000	-29 100
Revenue appropriation Cap. 5312.90 Instalments	-8 614 000	-9 311 000	-9 685 000
Revenue appropriation Cap. 56115.80 Interest	-4 713 000	-4 036 500	-3 700 000

As of the 2008 financial year, the budget appropriation for the Rent Disputes Tribunal (HTU) has not been included, as HTU is no longer part of the Housing Bank's operations. The comparative figures for 2006 and 2007 have been adjusted accordingly.

(\*) Gain on the sale of residential property from the remaining housing stock that was acquired through the Housing Bank's merger with SIFBO in 1997. Any profit on renting out housing and gains or losses on disposals is transferred to the contingency reserve managed by the Housing Bank. The figure quoted under operating revenues is the gain for accounting purposes, and not the sales price.

## Notes to the Financial Statements (3-5)

### Note 3 Wages, salaries, etc.

Amounts in whole NOK 000s

	2008	2007	2006*
Wages and salaries	138 447	128 409	119 193
Holiday pay	17 054	15 845	14 979
Employers' NICs	20 920	19 231	20 817
Pension cost	15 808	9 646	14 571
Sick pay and other refunds	-5 753	-4 379	-4 859
Other benefits	7 988	7 267	6 177
<b>Total wages, salaries, etc</b>	<b>194 463</b>	<b>176 019</b>	<b>170 878</b>
Number of full-time equivalent employees:	340	340	345

The fees paid to the members of the Executive Board and the Bank's six Regional Boards totalled NOK 945 566. The Managing Director received NOK 1 014 169 in salary and other benefits.

### Pension costs

Pensions are entered as an expense on the profit and loss account based on the actual premium for the financial year. The premium in 2008 was 10.19 percent. The premiums for 2007 and 2006 were 6.97 percent and 10.26 percent respectively.

\* For 2006, Wages, salaries, etc. has been corrected by -14 434 on account of wrongly allocated holiday pay, and 5 476 reclassified from administrative expenses to Wages, salaries, etc.

### Note 4 Other operating expenses

Administrative expenses:	2008	2007	2006
Rent	24 386	27 216	25 332
Maintenance and refurbishment of leased premises	926	163	979
Other running expenses for properties and premises	3 768	4 204	4 485
Repair and maintenance of machinery, equipment, etc.	4 714	2 171	2 727
Purchase of minor equipment	825	4 663	7 211
Licences and rent of machinery, fixtures, fittings, etc.	4 031	3 349	6 708
Consultants and other external service providers	19 142	17 667	17 670
Travel and subsistence expenses	16 059	19 862	18 384
Postage, office and ICT services	19 504	17 572	16 304
Other operating expenses, including marketing	8 657	5 318	5 636
<b>Total other operating expenses</b>	<b>102 267</b>	<b>103 285</b>	<b>106 026</b>

### Note 5 Losses on loans by region and loan type

	Constr.	Improvement	Purchase	Start up loan	First home	Other Recoveries	Total
Regional office:							
East	430	0	98	0	0	-1 399	-871
South	15	0	84	470	65	200	834
West	341	0	58	423	0	-685	137
Mid-Norway	6 819	2	200	217	44	62	7 343
Bodø	1 244	0	59	0	0	-181	1 122
Hammerfest	43	101	1 055	0	0	93	1 292
<b>Total</b>	<b>8 892</b>	<b>103</b>	<b>1 554</b>	<b>1 110</b>	<b>109</b>	<b>-1 910</b>	<b>9 857</b>

## Notes to the Financial Statements (6-7)

### Note 6 Intangible assets

Amounts in whole NOK 000s

	Intellectual property, etc.
Historic cost 31 Dec. 2007	32 450
Purchases during 2008	12 540
Disposal of historic cost in 2008	0
Historic cost 31 Dec. 2008	44 990
Accumulated write downs at 31 Dec. 2007	0
Write downs in 2008	0
Accumulated depreciation at 31 Dec. 2007	3 533
Ordinary depreciation in 2008	2 222
Accumulated depreciation for assets disposed of in 2008	0
<b>Carrying amount at 31 Dec. 2008</b>	<b>39 235</b>

Linear depreciation rates (useful lives) of 5-12 years are used.

Capitalised intangible assets include systems and software bought from external suppliers, including a new electronic case management system and IT tools developed in partnership with external consultants. Internal developments such as system customisations, etc. are considered to be of uncertain value beyond 3 years, and are not capitalised on the balance sheet.

### Note 7 Varige driftsmiddel

	Øvrige bygninger	Maskiner, transportmidlar	Anna inventar og utstyr	Sum
Historic cost at 31 Dec. 2007	3 125	12 295	22 767	38 187
Purchases in 2008	0	3 680	4 187	7 867
Disposal of historic cost in 2008	0	0	0	0
Transferred from under construction to another group	0	0	0	0
Historic cost at 31 Dec. 2008	3 125	15 975	26 954	46 054
Accumulated depreciation at 31 Dec. 2007	0	8 224	8 358	16 582
Ordinary depreciation in 2008	0	3 249	2 378	5 627
Accumulated depreciation for assets disposed of in 2008	0	0	0	0
<b>Carrying amount at 31 Dec. 2008</b>	<b>3 125</b>	<b>4 502</b>	<b>16 218</b>	<b>23 845</b>

Linear depreciation rates (useful lives) of 3-15 years are used. 3-15 år 3-15 år

The sum total of intangible and tangible fixed assets is 1 125 greater than the balance sheet entry *Deferred appropriations for fixed assets* under non-current liabilities. This difference relates to homes taken over from the former housing company SIFBO in 1997. The values of these homes is not included under *Deferred appropriations for fixed assets*, also cf. the discussion in the note on accounting principles.

## Notes to the Financial Statements (8-9)

### Note 8 Net settlement for activities financed through appropriations

Amounts in whole NOK 000s

Discrepancies arising from temporary differences

	2008	2007	Ending
<b>Current assets</b>			
Accruals	5 645	11 089	-5 444
<b>Sub-total</b>	<b>5 645</b>	<b>11 089</b>	<b>-5 444</b>
<b>Current liabilities</b>			
Accrued holiday pay	-16 843	-15 431	-1 412
Other wage-related provisions	-5 242	-3 869	-1 373
Påløpte kostnader og periodeavgrensingsposter	-2 037	-1 409	-628
Accrued expenses and deferred income	-1 117	-2 037	920
<b>Sub-total</b>	<b>-23 202</b>	<b>-21 337</b>	<b>-1 865</b>
<b>Net temporary differences</b>	<b>-17 557</b>	<b>-10 248</b>	<b>-7 309</b>

The main entries that make up the settlement with the Treasury/  
cash-based balances:

	2008	2007	Ending
<b>Current assets</b>			
Other receivables	157 048	131 772	25 276
<b>Settlement with Treasury/ inter-company cash-based balances, cf. S report</b>	<b>157 048</b>	<b>131 772</b>	<b>25 276</b>
<b>Settlement with Treasury</b>	<b>139 491</b>	<b>121 524</b>	<b>17 967</b>

### Reconciliation of the profit/loss for the year with changes in settlement with Treasury

Withdrawals from cash pool:			-18 409 090
Deposits into cash pool			12 757 374
Net withdrawal from cash pool			-5 651 716
Net deposit/ withdrawal administration of grants			5 943 169
Net deposit/ withdrawal loan administration			-598 825
Appropriations recognised as revenues (gross)			334 229
Employer's NICs recognised under Ch. 5700			-21 242
Accrued interest expense on subordinated debt			-5 976
HTU's profit for the period			5 797
Difference between revenues and net withdrawals from cash pool			5 436
Profit on ordinary activities prior to settlement with Treasury			-23 403
<b>*Total change in settlement with Treasury</b>			<b>-17 967</b>

### Note 9 Administration of grants

#### Specification of disbursements under grant schemes by purpose:

	2008	2007	2006
Housing allowance	2 420 940	2 335 960	2 213 895
Urban redevelopment	43 047	571	0
Housing quality	0	14 658	41 731
Targeted grants for first-time buyers, improvements and rental housing	672 998	596 263	592 013
Grants for research and development	79 374	63 302	46 134
Start up grants for residential care homes and nursing homes	50 111	1 258 218	773 387
Interest subsidies for residential care homes and nursing homes	1 701 683	1 405 527	1 142 104
Investment grants for residential care homes/ nursing homes	43 875	0	0
Interest subsidies for school facilities and churches	785 092	535 484	327 021
Construction of student accommodation	140 530	84 834	85 066
Other projects	5 519	3 319	975
<b>Total administration of grants</b>	<b>5 943 169</b>	<b>6 297 565</b>	<b>5 222 326</b>

## Notes to the Financial Statements (10-12)

### Note 10 Paid-up equity and funds

Amounts in whole NOK 000s

The Norwegian State Housing Bank's funds (cf. The Norwegian State Housing Bank Act).

	2008	2007	2006
<b>Primary capital certificates</b>	<b>20 000</b>	<b>20 000</b>	<b>20 000</b>
Contingency reserve capital at 1 Jan.	67 643	76 137	88 797
Profit/ loss for the year*:	-9 558	-8 494	-12 660
<b>Contingency reserve reserves at 31 Dec.</b>	<b>58 086</b>	<b>67 643</b>	<b>76 137</b>
<b>Total equity at 31 Dec.</b>	<b>78 086</b>	<b>87 643</b>	<b>96 137</b>
* Specification of profit/ loss by year:	<b>2008</b>	<b>2007</b>	<b>2006</b>
Losses on loans	-9 857	-10 638	-16 993
Profit on rental units	299	248	289
Net gain on the sale of housing units	0	1 896	4 044
<b>Profit/ loss for the year</b>	<b>-9 558</b>	<b>-8 494</b>	<b>-12 660</b>

### Note 11 Bonds and other receivables

The Bank allows customers to choose between floating and fixed interest rates. Floating rate loans can be converted into loans with interest rates fixed for 3,5 or 10 years. As of 2007, the rules for fixed rate loans were changed to allow customers to convert to a floating rate by settling the surplus/ discount.

#### 11a) Historic interest rates

	2008		2007		2006	
Annual interest rate payable in arrears:	Floating	Fixed	Floating	Fixed	Floating	Fixed
1st quarter	5,1	5,1-5,4	3,5	4,4 - 4,7	2,6	3,8 - 4,1
2nd quarter	5,5	4,7-5,0	3,9	4,8 - 5,1	2,8	3,6 - 4,1
3rd quarter	5,7	4,9-5,9	4,4	5,1 - 5,6	2,9	4,0 - 4,5
4th quarter	6,0	5,0-5,7	4,8	5,6 - 5,1	3,3	4,3 - 4,8

Floating interest rates are based on the average rate on Treasury bills during quarterly observation periods, which means that the interest rate for the 1st quarter is determined by the rate in the 3rd quarter of the previous year, etc. The fixed interest rates offered are adjusted each month. At the end of a month, a decision is taken as to what fixed rate will be offered as of two months after the observation month.

#### 11b) Distribution of loans by interest rate:

	2008		2007		2006	
	Number	Value	Number	Value	Number	Value
0%-5,3% Special terms	4 010	2 245 983	4597	2 590 545	5111	2 825 472
6,0 % Floating rate *)	41 223	48 589 241	32368	57 016 699	35609	36 698 076
3,5-7,3% Fixed rate	26 290	50 113 894	38575	37 328 386	42253	54 911 151
<b>Total outstanding value</b>	<b>71 523</b>	<b>100 949 118</b>	<b>75540</b>	<b>96 935 630</b>	<b>82973</b>	<b>94 434 699</b>

\*) The interest rate in 2007 was 4.8 %. In 2006 the interest rate was 3.3%.

#### 11c) The interest rate in 2007 was 4.8 %. In 2006 the interest rate was 3.3%.

This refers to the outstanding amount owed on non-performing loans after the sale of the mortgaged property, where there remains a claim against the debtor. The amounts owed are included in the gross loan portfolio and are retained for monitoring and potentially for collection. On the balance sheet, a deduction of NOK 119.5 has been made for these outstanding debts. The accounts therefore show the net figures for the Bank's loans.

### Note 12 Accounts receivable

	2008	2007	2006
Face value of accounts receivable	41 822	38 458	33 333
Provision for anticipated losses (-)	0	0	0
<b>Total accounts receivable</b>	<b>41 822</b>	<b>38 458</b>	<b>33 333</b>

## Notes to the Financial Statements (13-17)

### Note 13 Other current receivables

Receivables	2008	2007	2006
Salary advances	16	0	9
Travel advances	0	0	9
Staff loans	442	420	262
Other receivables from employees	0	20	21
Expenses paid in advance	5 355	10 985	5 717
Other receivables	1 847	1 256	2 509
<b>Total</b>	<b>7 661</b>	<b>12 681</b>	<b>8 527</b>

### Note 14 Accrued income/ Unearned revenues

Accrued income	2008	2007	2006
Interest not yet due on loans	1 149 922	981 113	843 559
Accrued settlements, deferred expenses, etc.	0	2 692	5 476
Refunds of maternity and sick pay	286	104	127
<b>Total receivables</b>	<b>1 150 208</b>	<b>983 909</b>	<b>849 162</b>

Unearned revenues	2008	2007	2006
Unearned interest from customers	424 309	425 055	236 508
Deferred instalments from customers	249 673	186 937	358 703
<b>Total liabilities</b>	<b>673 982</b>	<b>611 992</b>	<b>595 211</b>

### Note 15 Cash in hand and at bank

	2008	2007	2006
Other bank accounts at DnB NOR	109 945	103 855	205 590
Petty cash and other cash holdings	17	6	4
<b>Total cash in hand and at bank</b>	<b>109 962</b>	<b>103 861</b>	<b>205 594</b>

### Note 16 Other non-current liabilities

Loans from the government	2008	2007	2006
Total loans at 1 Jan.	96 865 104	94 415 606	94 207 573
+ New loans provided during the year	12 176 627	12 031 108	10 802 477
- Loan repayments	-8 119 629	-9 581 610	-10 594 444
<b>Total</b>	<b>100 922 102</b>	<b>96 865 104</b>	<b>94 415 606</b>

The Housing Bank finances its lending activities through a mandate to withdraw funds from the state cash pool. Agreements with the relevant bank have been established in accordance with the Norwegian State Financial Procedures and associated requirements. Money borrowed is subject to floating interest rates and repayment terms, equivalent to the average of the interest rates on loans granted and payments received from customers. The floating and fixed interest rate fluctuates in line with the market interest rate, 3 month Treasury bills and 5 year government bonds, plus a 50 basis point premium. The risk premium gave the state revenues of NOK 494 million in 2008, against 480 million in 2007.

### Note 17 Other current liabilities

Liabilities	2008	2007	2006
Accrued interest on borrowings	415 089	357 595	310 160
Accrued pension contributions	3 580	1 840	2 657
Accrued expenses	3 292	4 066	3 327
Other current liabilities	80	4 033	5 522
<b>Total</b>	<b>422 041</b>	<b>367 534</b>	<b>321 666</b>

Amounts in whole NOK 000s

## A Closer Look at Our Financial Figures

The Housing Bank operates pursuant to the stipulations of The Norwegian State Housing Bank Act. Its operations are financed through budget appropriations from the central government budget. The state both receives revenues and incurs expenses from the Bank's lending activities. The Housing Bank's operations result in significant welfare gains.

The following are the management's comments on the annual financial statements (cf. the provisional public sector accounting standards, SRS)

### Purpose:

The Norwegian State Housing Bank shall provide or guarantee loans in return for mortgages on real property, and administer central government and municipal support for homebuilding and other housing-related activities (Section 1 of the Housing Bank Act).

### Management review of the annual financial statements for 2008

The Housing Bank is the main government agency responsible for implementing the government's housing policy, which is that there should be adequate and secure housing for everyone.

The financial statements have been prepared in accordance with the Norwegian Public Sector Accounting Standards (SRS) and the advisory notes that have been drawn up in conjunction with the Ministry of Finance's testing of accrual accounting at selected state-owned enterprises. The Housing Bank has been given dispensation to deviate from the standard by using the cash method to measure

loan losses when valuing its loan portfolio. For housing allowance and other grant schemes administered by the Bank, the cash method is used in accordance with the Norwegian State Financial Procedures. The Housing Bank has also been given dispensation to use a customised bank template for its profit and loss account.

The net profit or loss of the Housing Bank after settlement with the Treasury will always equal the sum total of loan losses and the profit or loss on the activities of what was formerly the housing company SIFBO.

### Interest income

Interest income from loans to customers increased by around 17% over the previous year, mainly as a result of the general increase in interest rates. Outstanding loans also increased by NOK 4 billion over 31 December 2007, totalling around NOK 101 billion at the close of the year. Over the last quarter there was a move from fixed to floating interest rates. Around 15,000 five year fixed rate mortgages expired before the turn of the year, and 8,000 of those customers did not immediately move to new fixed rate deals. Around 58% of all of our loans are now subject to floating rates, as opposed to just over 40% previously. Measured in terms of the value of total outstanding loans, the proportion on floating rates is approx. 48%.

The Housing Bank's floating rate is based on the interest rate on Treasury bills, whilst the fixed rate is based on the yield on government bonds. A 50 basis point risk premium is added to both of the rates. Over the course of

2008, the floating rate rose from 5.1% in the first quarter to 6.0% in the fourth quarter. The equivalent figures for 2007 were 3.5% in the first quarter and 4.8% in the final quarter.

Interest support was roughly the same as in 2007.

### Fees

Other fees and commission income fell by approx. NOK 1.6 million in relation to 2007. This has to be viewed in the context of the reduction in the overall number of loans. Fee expenses were NOK 0.2 million lower.

### Income

Budget appropriations were around 2% higher than the previous year, whilst other operating revenues were roughly the same as in 2007.

### Wages, salaries and administrative expenses

Wage costs increased by around NOK 18 million (10%) in comparison to 2007. Most of the increase was due to general wage inflation and an increase in the premium payable to the Norwegian Public Service Pension Fund from 6.97% to 10.19%. The number of employees was stable. Wage costs as a proportion of total operating expenses increased from 59% to 62%.

Travel and subsistence expenses were 19 percent lower than the previous year. The introduction of videoconferencing for environmental reasons was the main reason for the reduction. Other administrative expenses were virtually unchanged from the previous year.



Hausmannsbrua bridge in Oslo, which is home to several homeless people.  
Photo: The Housing Bank, Mette Presterud

### Charge-offs

Charge-offs totalled NOK 9.9 million against NOK 10.6 million the previous year. The net reduction was mainly due to an increase in loan loss recoveries compared to 2007. For private borrowers, gross charge-offs totalled NOK 5.2 million in 2008. That was NOK 2.1 million lower than in 2007. A couple of big individual cases led to charge-offs for non-retail customers increasing by NOK 1.9 over the previous year, reaching NOK 7.5 million in total.

Losses are covered through the Housing Bank's contingency reserve. It had NOK 58.1 million in funds at 31 December 2008. A future model for financing and accounting for losses at all of the state banks is currently being looked into. It is expected that the new model, which will provide annual budget appropriations to cover losses, will be used from 2010 onwards.

### Administration of grants

In 2008, the Bank disbursed a total of

NOK 5,943 million through various types of grants. This was NOK 354 million (6%) lower than in 2007. The reduction was due to the discontinuation of start up grants for residential care homes and nursing homes, which resulted in a NOK 1,2 billion fall in disbursements compared to 2007. Part of this reduction was offset by a NOK 296 million increase in interest subsidies for residential care homes and nursing homes, and a NOK 44 million increase in investment grants for residential care homes and nursing homes.

Disbursements of targeted housing grants were NOK 77 million higher than in 2007, whilst grants for urban redevelopment increased by NOK 42.5 million. Grants for developing communities, housing management strategies and housing policy increased by NOK 16 million.

Compared to 2007 interest subsidies for schools and churches increased by NOK 250 million, whilst student accommodation grants increased by NOK 56 million.

For housing allowance, which is the single biggest source of expenditure on grants, representing about 40% of the total, disbursements were around NOK 85 million higher than the previous year. However, disbursements were NOK 49 million lower than total budget appropriations, due to an unexpectedly low number of applicants in the second half of the year, which was probably due to applicants having higher incomes as a result of last year's taxable income being used to determine eligibility from July on-

wards. The maximum income limit for housing allowance was then raised in August, but it took a while for the number of applicants to pick up again.

In total, the value of grants disbursed was around NOK 300 million lower than the total budget appropriations available. In addition to housing allowance, which is discussed above, the other main reasons for expenses coming in below budget were:

- Grants for research and development, which came in at NOK 58 million under budget. This was due to most of the projects not being completed in the same year that the grants were approved.

- Investment grants for residential care homes and nursing homes, which were NOK 56 million under budget. This was a new scheme in 2008, and a new electronic application system was only introduced in October 2008. Construction has also taken longer than expected, which means that many projects have not been completed as quickly as budgeted for.

- Interest subsidies for residential care homes and nursing homes, which was NOK 56 million under budget. There have been various reallocations between nursing homes and residential care homes after the action plans for the elderly and the mentally ill were completed, and disbursements to various projects will only be made in 2009. Some projects have also been cancelled.

- Interest subsidies for schools and

churches, which in total came in NOK 47 million below budget. For schools (NOK 26 million), there were fewer applications than expected, whilst for churches (NOK 21 million), construction is completed and applications are made for funds right at the end of the year or in the year after approval.

With the exception of housing allowance, the unused portions of the budget appropriations will be carried over to next year.

### Welfare gains generated by the Housing Bank's activities

Social and affordable housing initiatives in the shape of loans, grants and advice have top priority, and produce results by helping disadvantaged groups to obtain, and hold onto, their own homes. That is of benefit both to the individuals and to society. It relieves pressure on municipal services, limits the need for expensive and inappropriate temporary accommodation and reduces welfare spending.

This annual report highlights the fact that homes cover a fundamental human need, and are one of the pillars of the Norwegian welfare model. They make it easier for households to look after themselves.

Housing allowance is an effective way of providing homes to disadvantaged groups. Having a home of one's own helps to create a stable environment and reduces the need for other benefits. It has previously been found that housing allowance is administered efficiently, and that the budget appropriations for housing allowance is relatively low in comparison to housing allowances in

the rest of the Nordic region. The Housing Bank wants to focus even more on housing allowance in the coming years.

### Administration of loans - the state's risk premium

The Housing Bank's lending activities are regularly assessed to evaluate their efficiency, in order to ensure that priority can be given to projects that generate welfare gains.

The Housing Bank does not borrow money in the same way as an ordinary bank. Instead, the Housing Bank finances its lending activities by withdrawing funds from the state cash pool. Agreements with the relevant bank have been established in accordance with the Norwegian State Financial Procedures and associated requirements stipulated by the government.

The risk premium has been set at 50 basis points. That means that the state receives half a percentage point of interest income on loans issued by the Housing Bank. In 2008 that generated NOK 494 million in income for the state (see note 16 to the financial statements). That is more than the sum total of the Bank's administrative expenses, which were NOK 296.7 million, and its net loss on its lending activities, which was NOK 9.9 million.

The state also receives fees from the administration of loans, which totalled NOK 15.5 million in 2008, a slight reduction from the previous year due to a lower volume of loans. In principle, those fees are supposed to cover the administrative expenses associated with arranging and servicing loans.

# Efficient and User-friendly Administration



Lill Tone Grahl Jacobsen, the General Secretary of the Church Social Service works with the Housing Bank's Managing Director Geir Barvik. Photo: The Housing Bank, Mette Presterud

## The Administration Of The Housing Bank

The Bank has been decentralised in recent years, with regional offices becoming independent entities that run day-to-day housing policy in partnership with local municipalities. This makes it possible to come up with local solutions that maximise welfare gains.

### Staff

The Housing Bank has 364 employees. 218 of them are women (59.8 percent) and 146 are men (40.2 percent). At 31 December 2008, 13 employees had been seconded to other organisations (7 women and 6 men). 14 employees were on maternity or paternity leave, comprising 13 women and 1 man. During 2008, 30 employees left and 23 new employees were taken on. The average age of employees is 49, with the average for men being 50 and for women being 48.

### Regional Boards

Of the seven regional boards, three

are chaired by women and four by men. Nine of the board members are women, whilst seven are men. In total 52 percent of board members are women.

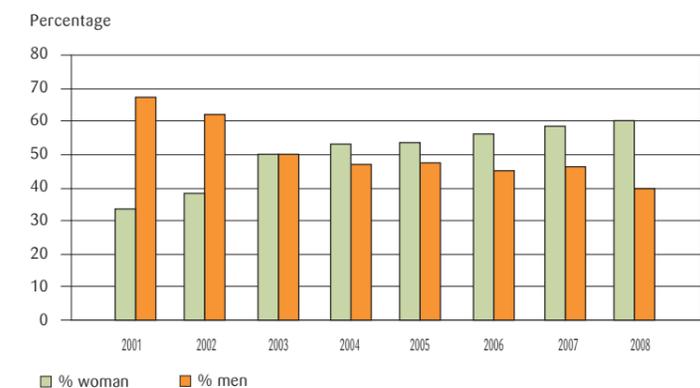
### Groups of jobs

Women are overrepresented amongst executive officers, managers and the few remaining office jobs. Men are overrepresented amongst senior executive officers without management responsibilities. Since 1999 the Housing Bank has worked actively to increase the recruitment of women to management positions. Currently 60 percent of management positions are held by women.

### Pay equality

On a position by position basis, there are in general only small pay differentials between women and men. For some positions, however, there are differences. After local pay negotiations, women received 71.4 percent of funds. The 2008 pay settlement therefore had an equalising effect on pay.

Proportion of women and men in management positions 2001-2008





The mayor of Drammen, Tore Opdal Hansen, hands Director for the Environment Ole Bjørn Edner the visible proof that the Housing Bank is an Eco-Lighthouse. Photo: Drammen Town Council

#### Equal opportunity initiatives

The Housing Bank will continue to try to eliminate any pay differentials between women and men. Women are encouraged to go on training courses.

#### Employees from minority backgrounds

Since 2008 the Housing Bank has been participating in the Ministry of Government Administration and Reform's project to provide small quotas for non-western immigrants. Action plans have been drawn up in conjunction with the project, and a total of four people from the target group were employed in 2008. During that period, four employees from the target group left the Bank. In total the Housing Bank has 27 employees with an immigrant background. Nine of them are of western origin, whilst 18 of them are of non-western origin. In total they make up 7.4 percent of the workforce.

#### Training schemes

Employees are strongly encouraged to follow study programmes that give them credits. 35 employees have attended courses that have given them 10-30 credits each.

The areas of study include fields such as housing quality, social and affordable housing, finance, management, project management, ICT and HR.

The Housing Bank has worked with a number of university colleges, such as South Trøndelag University College (HiST), Finnmark University College (HiF), Bodø University College (HiBo) and Oslo University College (HiO) to develop courses on social and affordable housing policy.

#### Health, safety and the environment

Average total sickness absence in 2008 was 6.11 percent, with the rate being 7.75 percent for women and 3.84 percent for men. Sickness

absence was highest in the first and second quarters, and fell to 4.8 percent in the third and fourth quarters. Long-term absence was particularly high in the first half of the year.

All of our offices have established forums where the management and employees can discuss issues relating to health, safety and the environment and The Central Collective Agreement for Employees in the Service of the State. Several of our offices offer massages to employees once a week or more. Some offices have their own gyms, or have access to gyms, which can be used during working hours, or employees can have part of their gym fees covered if they go in their spare time.

In the autumn of 2007, the Housing Bank started measuring employee commitment by using the so-called Human Capital Index (HCI). Two surveys were carried out in 2008. In 2009 we plan to ask the Norwegian Institute of Occupational Health to perform a major survey of our working environment.

#### A greener Housing Bank

The Housing Bank wants to be considered an environmentally friendly agency both by its own employees and by outsiders. Several of our offices have implemented projects to improve their environmental performance. The Hammerfest office was certified as an Eco-Lighthouse in 2007. After a complete environmental review of the Housing Bank in Drammen, our central offices were certified in 2008. The Housing Bank has drawn up its own Environmental Policy, which

focuses on reducing travel, increasing recycling and improving energy efficiency. Business travel surveys have been carried out at our offices in Drammen. 71 percent of journeys are made by public transport, which is extremely high compared to comparable government agencies. Video conferencing equipment has also been installed at all of our offices, which has resulted in a significant reduction in travel for the purpose of meetings.

There is an increasing desire to face up to environmental challenges both within and outside our organisation. The Housing Bank also has an agreement with Fair, which involves sending old IT equipment for reuse in developing countries.

#### Administration Of Loans

##### Interest rates

In 2008, the global financial crisis led to generally higher interest rates. The Housing Bank's interest rates were not affected to the same extent, as they are based on the interest rates on Treasury bills and government bonds. However, the Housing Bank's floating interest rate increased from 5.1% in January to 6.0% in December. Fixed interest rates remained relatively stable, with the exception of 3 and 5 year fixed interest rates, which rose towards the end of the second quarter. At the end of the year, our fixed interest rates were around the same or a bit lower than at the start of the year, ranging from 5.3% to 5.0%.

##### Performance of our loan portfolio

In 2008 we disbursed NOK 12.9 billion in loans. That is slightly more than in

2007. Meanwhile, early redemptions totalled almost NOK 2.9 billion. By comparison, redemptions totalled NOK 4.2 billion in 2007. The reduction in redemptions was probably mainly due to the financial crisis, which meant that it became almost impossible to remortgage with other banks, and reduced turnover in the housing market. It was probably also partly due to customers from 2006 being able to move from fixed rate deals to floating deals without having to redeem their mortgages. Early repayments totalled NOK 1.2 billion, which is only NOK 0.1 billion lower than in 2007.

At 31 December 2008 our loan portfolio had a face value of NOK 100.7 billion split between 68,000 loans. The number of loans fell by 4,500 from 2007, but the value of the portfolio increased by NOK 3.7 billion. That was a continuation of the trend from the previous year.

##### Administration of start up loans

Local authorities normally take out start up loans once a year, and are free to choose whether they want one or more disbursements. They can choose a floating or fixed interest rate, or a combination of the two. They can also choose whether to fix the interest rate for 3, 5 or 10 years.

A three-year trial project has been started with 15 municipalities, which involves sharing losses on start up loans 50:50.

##### The complaints board

The complaints board handled 16 complaints in 2008, against 13 in 2007. In one case the board upheld

the complaint. The number of complaints is very low. The complaints board said the following in its annual report: "The complaints board is not sure what the low number of complaints indicates, but assumes that it may be due to clear policies on loans and grants, and good internal controls at the Housing Bank."

##### Delinquencies and loan losses

The number of delinquent loans continued to decline in 2008, falling to 904 from 1,049 in 2007. This represented 1.3 percent of the overall loan portfolio. The outstanding value of the delinquent loans remained unchanged at NOK 46 million.

In 2008 the Housing Bank sent out 410 compulsory sale notices to retail borrowers, and 56 compulsory sales were implemented. In the few cases where the borrower is not willing to cooperate with the compulsory sale process, an eviction notice is served. 40 eviction notices were served in 2008, but only 3 were implemented.

Only five compulsory sale notices were sent to customers that are legal persons, but no compulsory sales were completed. The Housing Bank only recognises losses when a property is sold at a lower price than the total outstanding mortgage. In 2008, total gross charge-offs were NOK 12.7 million, compared to NOK 12.9 million in 2007. Retail customers were responsible for NOK 5.2 million of the total. Loan loss recoveries totalled NOK 2.8 million, giving a net charge-off of NOK 9.9 million.

Charge-offs were charged to the con-

tingency reserve, which at 31 December had NOK 58 million in funds. No additional resources were allocated to the fund in 2008.

- Low-deposit housing co-operatives  
Over the period 15 August 2005 to 31 December 2007, the Housing Bank disbursed loans to 2,063 housing co-operatives which fell within this category. Of these, 174 were housing units in four independent housing co-operatives without rent insurance. The Housing Bank has had close, solution-oriented discussions with the housing co-operatives that have faced payment problems.

- Housing associations  
Loans to housing associations are at particular risk of becoming delinquent. The reason for this is that the point at which interest payments and principal repayments become due often coincides with the need for necessary

maintenance. However, in 2008 the financial crisis led to greater demand for rental units. Associations that are nevertheless facing problems are monitored closely over an extended period. For housing associations in central locations, the Housing Bank generally has good collateral for the loans.

- Loans to nursery schools  
The heavy investment in recent years in building nursery schools means that there are now nursery school places for virtually all children in most municipalities. The Housing Bank has issued 1,115 loans for nursery schools. Of these, approx. 540 were issued to borrowers other than local authorities, and do not have a municipal guarantee. That is the group of loans where there is a risk that losses might occur.

#### Customer service and electronic services

The centralisation of the administration of loans in 2005/06, the development of electronic services and a reduction in the overall number of loans and delinquencies means that fewer staff now work on the day-to-day administration of loans and on following up delinquent loans or loans deemed at risk of becoming delinquent. Retail customers have access to "My account", which is a service that allows them to view information about their loans, and make certain changes to them. The service has approx. 22,500 users. In 2008 there were 26,500 logins recorded.

The Housing Bank offers both direct debits and e-invoicing. A total of 22,800 customers use one or both of these services.

#### Modernising Our Ict Systems

Greater technological and organisational

efficiency liberates resources for work on the priority areas of housing policy. The Housing Bank's IT strategy set the overall framework for future developments. It is coordinated with the overall strategy of the Housing Bank, and aims to find common solutions with other government agencies.

The multi-year modernisation programme for the system of housing allowance, which was the main project in 2008, will be completed in March 2009. Work will immediately continue on adapting the system to the new regulations on housing allowance, which are expected to come into force as of 1 July 2009

Other important tasks in 2008 included developing an online service for the new investment grants for nursing homes and residential care homes, and developing a system to allow us to start using e-invoicing for customers that are legal persons.

For environmental reasons, the Housing Bank has acquired video conferencing equipment for all of its offices, in order to reduce travel and consequently emissions. The Bank has introduced an electronic invoicing system with a central invoice handling service provided by a subcontractor, which transfers data to the Housing Bank's finance software. A new multi-year agreement for bulk printing has been signed, and we have started using web tools to help us to report and monitor tasks set out in our steering documents.

A new IT strategy for the period 2008-2010 has been adopted, and a new action plan is expected to be finalised early in 2009. The plan covers all new ICT development projects, and consists of six main areas of focus:

- housing allowance
- eDialogue

- an information portal
- new financial software for handling and administering loans and grants
- a service-oriented architecture
- infrastructure

In 2009 housing allowance will continue to have top priority, but work on packages of policy instruments, an information portal and analysis, as well as short-term measures in conjunction with eDialogue also have high priority. Amongst other things, we want to develop an IT system for packages of policy instruments, in order to help local authorities in their work on housing disadvantaged groups, which involves coordinating the financial support measures such as start up loans, targeted housing grants and housing allowance.

The Housing Bank's IT architecture shall take into account service providers, in order to meet the requirements for public sector enterprises and to be as practical as possible, for example by using shared ICT components for the public sector in due course, cf. e Norway 2009. A service-oriented architecture shall be created by following the principles and guidelines for newly developed software in technical development projects. The Housing Bank uses open standards, and has incorporated this into its IT strategy. In 2008 we worked on solving the technical challenges related to making services available on the Norwegian resident portal MyPage.

#### Knowledge Sharing

The Housing Bank shall play an active role in formulating housing policy. An integral part of the Housing Bank's work therefore involves sharing information and knowledge with the general public, municipalities, counties, other authorities, special interest groups, research centres,

### HOUSING ALLOWANCE IS THE MOST IMPORTANT HOUSING POLICY INSTRUMENT FOR HELPING DISADVANTAGED GROUPS

Housing allowance help low-income households with high housing costs both to obtain, and hold onto, a decent home.

#### Important changes to the housing allowance scheme 2007-2009

##### 2007:

- Budget appropriation of NOK 2.3 billion for the scheme
- Duty to report any increase in income over the income reported in your tax return eliminated
- Introduction of monthly assessments for housing allowance. This was an important change that made it possible for new applicants to apply for housing allowance in any month, with disbursements being made much more quickly the following month.

##### 2008:

- Budget appropriation of NOK 2.4 billion for the scheme
- Recipients of the new qualification scheme become entitled to housing allowance.
- The financing conditions for privately rented homes for various groups that are entitled to housing allowance cease to apply (leaving the financing requirement in place for the group of pensioners with an income of over the minimum pension plus 30 percent).
- Residential care homes with the new investment grant from the Housing Bank become covered by housing allowance

##### 2009:

- New IT system for housing allowance completed in spring 2009.
  - Housing allowance planned to be revised/improved as of 1 July 2009.
- Main points:
- Budget appropriation of NOK 2.74 billion for housing allowance in 2009, a figure which is expected to increase by a further NOK 1 billion in 2010
  - Everyone shall be eligible for housing allowance, with the exception of students without children and people doing their national service.
  - The financing conditions will be removed for all homes

## "Luser'n"

The Salvation Army currently rents Herslebsgate 19 in Oslo, but for a while after 1914 it was the Christiania Delousing Centre.

This is also where the project BoSatt ("Settled") has its premises. It was established in 2005 as part of the Salvation Army's campaign against homelessness. The project is a

welfare service for homeless or previously homeless people over the age of 18 with substance abuse problems, who are in need of help. They can drop by for a coffee or for a chat, and the centre organises various evening get-togethers to talk about different topics. The only requirement is for users to be drug free, which naturally also applies to employees and volunteers.



Salvation Army employees



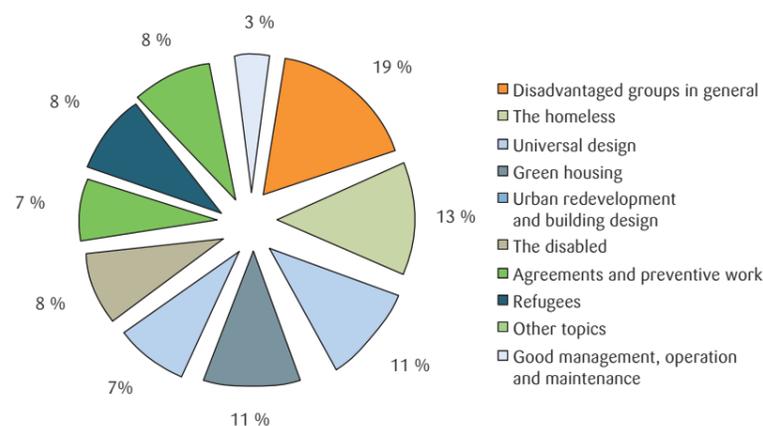
Herslebsgate 19, which was formerly a delousing centre.  
Photo: The Housing Bank, Mette Presterud

co-operative building and housing associations and the building and construction industry.

In 2008, the Housing Bank's regional offices held over 825 meetings, seminars, network conferences, theme days or other activities aimed at external participants. Around 22,000 people attended these Housing Bank-run events.

The below table shows the number of events and participants by type of event. As can be seen, 38 percent of the knowledge-sharing events in 2008 were meetings between the Housing Bank and people involved in formulating housing policy. However, measured in terms of numbers of participants, the seminars and conferences reach most people. 33 percent of the participants at Housing Bank events in 2008 attended either a seminar or conference focusing on housing policy issues.

**Housing Bank events by topic in 2008**  
Number of events by housing policy priority



The figure above shows the number of events for each area of housing policy.

Events focusing on sharing information and knowledge about disadvantaged groups in the housing market in general constituted 19 percent of the events in 2008, whilst 13 percent of events focused on homelessness. These were followed by events looking at universal design, green housing and the disabled, which each constituted 11 percent of the total number of events.

#### Achieving Results Through Cooperation

In order to get results, the Housing Bank is dependent on cooperating well with local authorities, other public bodies, special interest groups, research communities and the construction industry. In order to achieve housing policy goals, the

Housing Bank has concentrated on entering into collaboration agreements and signing letters of intent in order to formalise and improve cooperation. These agreements set out the areas in which the Housing Bank and its partners face mutual challenges and where they can work together to achieve their goals.

#### National collaboration agreements

The Housing Bank has signed collaboration agreements aimed at securing homes for disadvantaged groups, with a particular focus on preventing homelessness, and at increasing the number of homes and residential areas with a universal and green design. Several of these agreements have been followed up with regional agreements. Our most important partners include:

- KS** The Norwegian Association of Local and Regional Authorities
- NAV** The Norwegian Labour and Welfare Service
- IMDI** Directorate of Integration and Diversity
- FFO** The Norwegian Federation of Organisations of Disabled People
- SAFO** The Forum for Cooperation between Organisations of Disabled People
- The Blue Cross**
- Enova**
- NBBL** The Norwegian Federation of Co-operative Housing Associations
- Standard Norge**
- Kommunalbanken.**

#### National letters of intent

The Housing Bank shall work with key players in the construction industry, in order to promote lower energy

consumption and various other green features in homes. The Housing Bank shall also promote good design and high quality outdoor areas and public spaces in villages, as well as raising awareness of, and expertise in, the universal design of homes, residential areas and buildings.

Experience tells us that many of the important design concepts for homes are chosen at an early stage of the planning phase. The Housing Bank therefore wants to start talking to developers early, and maintain a dialogue with them, during the planning of new projects. One important measure in conjunction with this is the use of letters of intent. For the Housing Bank it is therefore important to sign agreements with players in the building industry.

National and regional letters of intent have been signed with several

important players in the industry. Their main aim is to give the industry greater confidence, create suitable models of collaboration, provide clear guidelines on desirable quality features such as low energy consumption and universal design and simplify procedures.

#### Other Areas Of Policy

#### FDemand for nursery school loans remains high

Nursery school loans are one of the instruments designed to achieve the goal of full nursery school coverage. The Housing Bank shall contribute by providing financing and advice. The Housing Bank financed 7,954 nursery school places in 2008. That is far more than in the previous two years, and almost as many as the 8,156 places in the peak year 2005. Full nursery school coverage has been a political priority, as evidenced by the high take-up of nursery school loans.



Geir Barvik and Olav Ullern with a collaboration agreement between the Housing Bank and The Norwegian Association of Local and Regional Authorities.  
Photo: The Housing Bank, Toril Sætervang

#### Participants at Housing Bank events by type of even in 2008

Type of event:	Number of events	% of events	Number of participants	Number of participants
<b>In total</b>	<b>825</b>	<b>100 %</b>	<b>22 038</b>	<b>100 %</b>
Seminars and conferences	91	11 %	7 320	33 %
Other events	105	13 %	1 537	7 %
Information sessions	315	38 %	4 330	20 %
Training and courses	107	13 %	2 977	14 %
Network conferences	79	10 %	931	4 %
Theme days	38	5 %	1 616	7 %
Inspection visits	18	2 %	88	0 %
Unspecified	72	9 %	3 239	15 %



Rørostoppen School in the municipality of Re. Winner of The Norwegian Government's Award for Good Practice in Housing Design in 2005. Photo: Eline Mugaas

### Student accommodation grants

In 2004, the Housing Bank was made responsible for administering student accommodation grants. The Ministry of Education and Research approves grants for the building of new student accommodation, or for the purchase and refurbishment of existing building stock that is not currently being used as student accommodation. The Housing Bank shall provide advice, ensure good quality, approve construction projects and disburse grants for projects to student welfare organisations.

In 2008, NOK 186.1 million was disbursed in grants, compared to NOK

66.8 million in 2007. That resulted in 780 student accommodation units in 7 projects in 2008, against 333 units in 6 projects the previous year. There is a particular emphasis on ensuring that student welfare organisations have adequate accommodation available for disabled students.

### Grants for residential care homes and nursing homes

The action plan for the care of the elderly was concluded in 2003. The aim was to provide 38,400 residential care home and nursing home places. 2008 was the final year that grants were disbursed. A few units, which

had received just over NOK 50 million in financing, were yet to be completed.

In 2008 a new investment grant for residential care homes and nursing homes was introduced, which will be administered by the Housing Bank.

### Interest subsidies for schools

In 2002, a new grant scheme was introduced for municipal and county authorities, which compensates them for interest payments on loans to cover the cost of building and refurbishing school facilities. The scheme allows municipalities (primary and secondary schools) and counties (sixth-form colleges) to take out

interest free loans. The interest expense for the whole 20-year loan is covered through an equivalent floating rate loan with the Housing Bank. The scheme is designed to encourage municipal and county authorities to build new school buildings and refurbish existing ones. The aim is to ensure that all school pupils have a good physical environment in which to learn.

In 2007, subsidies of NOK 524 million was disbursed on investments totalling NOK 2 billion. Interest subsidies was given to 61 projects in 2007, benefiting just under 13,000 pupils. That is rather fewer pupils than in previous years. Over the whole period since 2002, 1,458 projects at 1,144 schools have had their applications for interest free loans granted.

There was no investment budget for 2008. NOK 762 million in interest subsidies was disbursed.

### Interest subsidies for churches

In 2005 a new grant scheme was introduced, allowing local authorities to get grants from the Housing Bank to cover the interest payments on the cost of refurbishing church buildings. Listed and protected church buildings are given priority. In 2006, the scheme was expanded to include the construction of new churches and extensions to existing churches.

The investment budget for 2007 was NOK 300 million, whilst there was no investment budget in 2008. NOK 23.4 million in interest subsidies was disbursed.

### Regional development grants

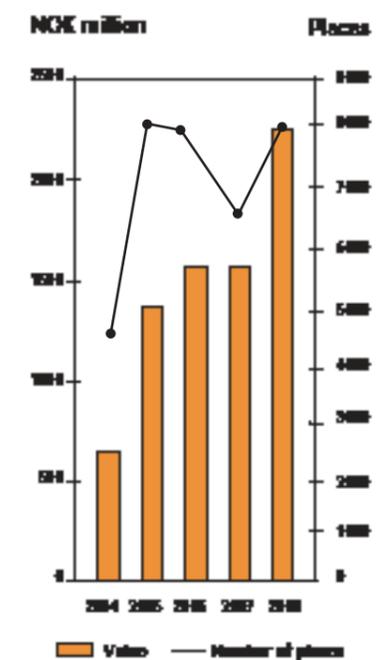
In 2006 the government introduced a new grant to stimulate work in the field of area development. The budget was largely used in the municipalities in Mid-Norway that were destroyed during WW2.

Since 2007 the whole grant has been used for the development programme BLEST, which focuses on quality of life and community involvement in small towns and villages. The main aim of BLEST is to help municipalities to make

towns more attractive as places to live for people of all ages and as locations for businesses. County councils recommend potential area development projects in collaboration with the Housing Bank.

In 2008, NOK 9 million was allocated to main projects in the municipalities of Holmestrand, Lindås, Kvinnherad, Lenvik, Kåfjord and Hasvik, as well as the municipalities in Mid-Norway that were destroyed during WW2.

Loans to nursery schools 2004 - 2008





# The Housing Bank in China

Text: Anne Ruden,  
of the Housing Bank's head office

## Nanjing - the capital of southern China

China hosted the World Urban Forum, which was held in Nanjing from 3-6 November 2008. The main theme of the conference was "harmonious cities". During the forum there were a number of smaller and bigger conferences, seminars, discussion forums, workshops, etc., in addition to a major international exhibition at which all participants were invited to present material about good design, relevant experiences and other up-to-date information about their own policies and activities.

## A large Norwegian contingent

The Housing Bank was tasked with coordinating work on the exhibition. The work was led by a steering group with representatives from the Ministry of Local Government and Regional Development, the Ministry of the Environment, the Ministry of Foreign Affairs and the Housing Bank. In addition to the ministries and the Housing Bank, there were also close discussions with The Norwegian Association of Local and Regional Authorities, Oslo City Council, OBOS, the National Office of Building Technology and Administration, the Norwegian Pollution Control Authority, The Directorate for Civil Protection and Emergency Planning, NTNU, The Norwegian Federation of Co-operative Housing Associations, The Norwegian Agency for Development Co-operation and others.

## Inclusiveness, cooperation and the environment

The Norwegian contributors chose to interpret "harmonious cities" as being "sustainable cities", which was also used as the framework for the official Norwegian exhibition. The exhibition covered a wide range of topics. There was a strong emphasis on guidelines for Norwegian development policy in general and Norwegian participation in UN-Habitat in particular. The theme chosen for the Norwegian exhibition was inclusiveness, cooperation and the environment. The aspects of Norwegian housing policy that the Housing Bank chose to highlight were work on homelessness, universal design and the environment and energy. The topics chosen appeared to be well received. According to UN-Habitat the Norwegian exhibition was the most informative of all the international exhibitions.

## Popular with the Chinese

We had the only international exhibition with all of its material translated into Chinese. That meant that we received a lot of attention, particularly from local visitors. It also helped to attract delegates, and we had many interesting discussions at our stand.

## Successful from a technical point of view

This was the first time that the



Housing Bank was responsible for an official Norwegian exhibition overseas. A number of choices were made, and they turned out to be appropriate. One of those choices was to make the stand environmentally friendly. The walls were made of colour printed cardboard. This innovative approach reduced transportation requirements and was a draw in its own right. The design and choice of colours were based on a human-centric concept. We wanted to present Norwegian policy through good examples and attractive solutions from Norway. We also wanted to take into account cultural sensitivities in so far as possible. The material that we handed out was mainly printed in China, again to minimise transport costs. There was also an emphasis on using electronic material and referring to relevant research communities and websites.

## Reuse

The walls of the exhibition, which for environmental reasons were recyclable, were afterwards given to Nanjing University School of Architecture to be used in its courses. Photos, technical material and other electronic material can also very easily be reused in Norway, and has been used in several ways since the exhibition.

All of the material that was developed for the exhibition has been made available on the Housing Bank's website, [www.husbanken.no](http://www.husbanken.no).

## What is the World Urban Forum?

UN-Habitat is the UN agency responsible for human settlements and eliminating slums from cities. For many years, Norway has supported its programme. The World Urban Forum (WUF) is an advisory body to UN-Habitat, and is a technical forum that facilitates dialogue between the organisations involved in UN-Habitat's work. It includes representatives of central (national) and local authorities, researchers, scientists, NGOs, special interest groups and the private sector. The forum is held every two years and this year's conference was the fourth one ever.

# Norway's first SOS children's village in Bergen

Text and photo: Odd Bjørn Solberg, of the Housing Bank's Regional Office West

**"This is one of the best projects that we have supported in terms of combining social and technical aspects," says senior engineer Siri Erdal at the Housing Bank's Regional Office West. We are talking about the first SOS children's village in Norway, which received a targeted housing grant of NOK 11 million from the Housing Bank.**

Siri Erdal justifies the grant by saying that it was used to build foster homes for children and young people from difficult backgrounds. At the same time, the project features architecturally attractive buildings, common rooms and outdoor areas. It also has environmental features, such as geothermal heating, the entrance level is built to the life-time housing standard, and outdoor areas are based on universal design principles.

## Eight houses close together

The first Norwegian SOS children's village is situated in Olsvik in Bergen, and consists of eight detached houses, one guest house with three guest apartments, one administration building with staff offices, an activity room for children and a staff house. The homes have been cleverly sited in difficult terrain, and together they constitute a tight-knit community.

The children's village is walking distance from primary and secondary schools, a swimming pool, an ice rink, a shopping centre and various clubs and activities. The buildings have geothermal heating and external cladding that has been treated with a new, environmentally friendly product. Greater Bergen co-operative building and housing association project managed the building of the children's village, and according to the leader of the village, Vigeik Tellnes, they did an exemplary job.

The total cost of the project was around NOK 70 million, NOK 11 million of which consisted of targeted housing grants from the Housing Bank.

Advertisement for the children's village



## Siblings living together

The target group for SOS children's villages are siblings between the ages of four and ten who need long-term care. In contrast to traditional foster homes, the children's village can house large numbers of siblings. And unlike with foster homes that are dotted around, the foster parents can meet and spend time with other foster parents in the same situation, living in the same neighbourhood. Furthermore, the children's village has its own team of advisers who can help both the children and their foster parents when they face difficult situations.

"It is very rewarding to help children in difficult circumstances," says Vigeik Tellnes, the leader of the village, who had previously worked for 27 years in the Norwegian navy. "Of course things aren't always rosy at an SOS children's village. It is therefore important to organise the village in such a way that both the children and foster parents can get the support they need, both when times are good and when times are tough," he explains.

## In keeping with the Housing Bank's welfare goals

The targeted housing grant for SOS children's villages is an example of the Housing Bank's new role as a welfare agency, with a strategy of collaborating with other agencies in order to achieve good welfare outcomes, which supports the two main international strategies of SOS children's villages:

- 1: To give as many as possible orphaned or abandoned children a safe home.
- 2: To prevent abandonment by supporting weak families that are at risk of falling apart.

In addition to the children's village's clear welfare focus, the design of the buildings also fits in with the Housing Bank's strategic goal: establishing homes that meet the requirements of life-time housing, universal design, energy efficiency and green design.

## What is an SOS children's village?

An SOS children's village is a family welfare service for children who need a new family for a shorter or longer period. The children's village consists of independent families with some shared common areas and support

functions. SOS children's villages must be viewed as being foster homes, and not institutions. The overriding aim is to give children a family, and that is why the children all belong to families. The foster parents are specially suited to and trained in working methodically with children. It is perfectly possible for them to have their own biological children when they start out as foster parents.

## Extensive support network

Traditional foster homes are generally dotted around the local community,

and are based on individual foster parent couples. If the foster parents break up, the children have to move out. Foster homes in an SOS children's village can also break down, but in that case it is the foster parents who have to move out, and they get replaced by new foster parents. This gives the children greater stability, as they are able to keep their siblings, their home and their local community. But before things get that far, an SOS children's village can provide the support of other foster parents and qualified advisers.

Large numbers of siblings can live close together, each in their own house with their own foster parents in the 8 detached houses in the children's village.



The foundations for the fence are almost finished.

## FACTS ABOUT SOS CHILDREN'S VILLAGES

The developer of this SOS children's village is the Norwegian branch of the international umbrella organisation SOS-Kinderdorf, which has its headquarters in Innsbruck in Austria. The organisation is politically and religiously neutral, and provides long-term help to children, regardless of their nationality, culture or religion.

The organisation was founded by Hermann Gmeiner in 1949, to help the many children who had lost their parents in WW2. The idea was to provide them with a new home in safe surroundings using a welfare model in which the family is the child's most important social network. There are four fundamental pillars: the mother, siblings, a home and the community. A children's village normally consists of 8-15 family houses, which form an integrated part of the local community. In an international survey of adults who grew up in children's villages, as many as 91% answered that their siblings remain an important part of their lives today. 89% said that their SOS mother was very important, and in adulthood over 80% were still in contact with their SOS mothers. Around 67% of adults who grew up in SOS villages are now in work.

# BOSO - Promoting the Development Targeted Support to the Local Authorities with the Greatest Needs

Text: Tanja Auren, of the Housing Bank's Regional Office East

Top priority is given to large municipalities facing complex challenges in terms of housing disadvantaged groups, in order to target efforts to prevent homelessness as effectively as possible. With BOSO, the Housing Bank invites the local authority to take part in a joint process.

The Housing Bank's Regional Office East is targeting municipalities that face major challenges in this area. The idea is to find better and more reliable ways of supporting their activities. A programme to promote the development of social and affordable housing has been drawn up for the selected BOSO municipalities. Amongst other things, the programme is based on experiences from the Groruddalen project, an urban redevelopment project in an area of Oslo.

Within the framework of the government's overall welfare policy, the Housing Bank's activities shall, to a much greater extent than previously, help to implement the government's strategies for combating poverty and homelessness.

## Binding

The main aim of the project is to help local authorities, through a binding, long-term partnership with the Housing Bank, to become better at providing housing for disadvantaged groups. Efforts are directed at residents who fall outside the ordinary housing market and who often need help to find an adequate home. The municipalities choose the main areas of focus

themselves. For example, they can choose to concentrate on preventive measures, reducing the number of evictions, building more social housing or improvements to organisational structures and the allocation of resources.

The project is a response to the government's desire to move the question of social and affordable housing up the political agenda. This involves increasing the focus on the quality of services and clarifying the role of municipalities as partners of the Housing Bank.



 Husbanken

# of Social and Affordable Housing

## Locally formulated development goals

The Housing Bank has primary responsibility for the project itself, whilst local authorities are responsible for local implementation.

Locally formulated goals, local analysis and annual action plans provide the foundations for annual budget appropriations for the Housing Bank's work. The main responsibility for the development processes also lies with municipalities, although the Housing Bank and other bodies contribute. Local authorities must invest some of their own resources in the partnership.

## The Housing Bank's role

The Housing Bank initiates and revises collaboration agreements, and monitors whether local authorities still fulfil the conditions for receiving grants and support. It offers technical and financial support for developing local programmes, as well as help with getting them underway. From 2009 the Housing Bank will also hold events to ensure that experiences are shared between participants, and that knowledge obtained is also passed on to other people working in the field and other local authorities. The Housing Bank tailors its involvement to the participating municipalities. This may mean providing a greater proportion of central financing, to allow the local authority to prioritise its efforts as much as possible. The Housing Bank also has an important role to play in coordinating the contributions of other government agencies working in the field.

## Budget and duration

The budget, duration and milestones of the project have not yet been finalised. During the start up phase, it has been proposed that the project shall operate within the following framework:

- total duration of the project 8 years (3-5 years in individual municipalities or boroughs)
- annual grants for research and development for each municipality/ borough of the order of NOK 1.5-3.0 million

- municipalities must invest some of their own resources (30-50%)
- the Housing Bank will finance an external evaluation of the whole project.

The plan is to invite 15-20 municipalities and boroughs that have been working with the Housing Bank's Regional Office East to participate. The project will start in batches of approximately five municipalities and boroughs each year.

Romsås in Oslo  
Photo: L-P Lorentzen



# Developing social housing



Text: Tone Øiern, of the Housing Bank's Regional Office East  
Photo: The Housing Bank, Mette Presterud

**Many local authorities sign agreements with private landlords to cover their needs for social housing. In order to achieve the goal of 3000 new social housing units in 2009, many municipalities are open to new ideas. Some of them see public private partnership as a potential solution. We asked a developer, who is helping to meet this demand, how he thinks one should go about ensuring that everyone has a adequate and secure home.**

200 of the 400 rental units that Steinar Moe Eiendom AS have built in and around Oslo are rented to disadvantaged people. Steinar Moe has come up with a construction and

management model that is both socially and financially sustainable. Over the course of 17 years, only two tenants have been forcibly evicted.

Steinar Moe is one of the few private developers who is interested in renting to young and disadvantaged people.

"Why not?" he asks. "My tenants are at least as good as other tenants - provided that you manage their homes properly."

### Fewer ups and downs

In his 30 years in the property industry, Steinar Moe has experienced the good times and the bad times. In the 1980s he was Norway's largest estate agent, with 30 employees. However, he sold his Oslo-based business just before the property crash at the end of the 80s, and invested the proceeds in a block of flats that was under construction, and rented out the flats. Now he owns 15 blocks

of flats in Oslo and Bærum, one of which is still under construction. Moe believes that he is on the right track now:

"I want a safe and profitable business. I know that the property industry experiences booms and busts." Based on his past experiences, he now considers himself a realistic pessimist.

### Predictable terms

Steinar Moe is not constantly looking for the best deal in the financial markets. In 1992 he took out his first loan with the Housing Bank. Once his most recent block of flats is completed, the total value of his loans from the Housing Bank will reach NOK 240 million. No other banks have been used to finance his 15 projects.

"I'm not interested in building rental units that are not financed by the Housing Bank," says the sole director of Steinar Moe Eiendom AS.

"I trust the Housing Bank; I know what to expect, and they also trust me. The Housing Bank doesn't go away in a downturn. Over the long term, it has the lowest interest rates. The Housing Bank's interest rates are adjusted two to three months after changes to yields on government bonds, and are not affected by any other factors. That's all I need to know for budgeting purposes," says Moe, patting his laptop: "We're in February now - and I could already complete my accounts for 2009."

### Grants make the numbers add up

Steinar Moe put a lot of equity into his first blocks of flats. Since then, he has signed 20-year rental contracts with boroughs before starting construction. Those contracts made his company

Steinar Moe has things under control  
Photo: Tone Øiern



eligible for targeted housing grants, with the Housing Bank covering 20-40% of the project cost. It is Oslo City Council's Health and Social Welfare Department that has negotiated the agreements that underpin the grants. According to Steinar Moe, 20 percent is the minimum amount required to cover the loss of value of the flats as a result of having been used as social housing. In general the loss of value is higher than 20 percent, and some agreements have allowed for that. According to him, the negotiations have been tough and professional, and have led to good agreements - for both parties.

### Access to sites is a problem

In many cases, Moe has tried to buy sites in areas where private sector clients are developing major projects.

"They are reluctant to sell to me," even if I offer the market price. "As owners and developers, they are afraid that my buildings will have a negative impact on the market value of the other homes being built for sale in the area." He has also struggled to buy sites from Oslo City Council:

### Facts about Steinar Moe Eiendom AS

- rent out 400 affordable flats in Oslo (Kampen, Tøyen, Skøyen, Kringsjå, Torggata and Sandvika)
- have agreements with various boroughs in Oslo to rent out half of the units to disadvantaged tenants
- only borrow from the Housing Bank and have received targeted housing grants
- make premises available to community projects
- had total revenues of NOK 35 million in 2008, and made a profit before tax of NOK 18 million.

"They are not very creative," says Moe, who currently has no new sites or plans for new projects.

### Solid, new buildings

All of the company's rental units are designed and built under Moe's own exacting leadership. They are often designed by Moe himself. That helps to minimise construction costs, and ensures that they are solidly built. "I have a long-term business concept," he says. "Buildings aimed at the rental market should retain their value even in the bad times. I don't build for sale - or for the stock exchange. The biggest returns will probably be made by the next generation!"

The fact that his company is also responsible for future management and maintenance is another reason to build well. Generally all of his buildings have pile foundations that go down to the bedrock, concrete is used in corridors and common areas, they are faced with brick and windows have aluminium fixtures.

### Small is beautiful

Steinar Moe's office in Majorstua is sparingly decorated and staffed. Behind the owner's desk, a bookshelf covers the whole wall from floor to ceiling. There he keeps separate folders on each individual flat.

"I like to have things under control, and also to know my tenants and be available for them."

Apart from Moe himself, the company has three employees whose task it is to manage the property portfolio, because there is slightly more work involved in looking after these 400 tenants than the ones who live in Oslo's 40,000 other rental housing units.

"For example, few of them have cars, which means that you need extra facilities for waste management," explains Steinar Moe.

### Dialogue on missed payments

According to Moe, missed rent payments are not the biggest problem, and nor are antisocial behaviour and safety. "We must work with tenants, not against them."

In 17 years, Steinar Moe has only used the Execution and Enforcement Commissioner twice to evict tenants. Manual checks allow him to see who is having problems paying their rent. "I get in touch with the tenant as soon as a payment is missed. That allows me to understand the tenant's situation, and to agree on a way of repaying the debt," he says. He considers it a waste of time reporting tenants to the police, which only leads to a slow procedure under breach of The Tenancy Act.

"Tenants want to keep their homes. They won't do that without entering into a dialogue with us. In general, if we cannot find a solution, tenants leave of their own free will." Vandalism, antisocial behaviour and violence are rarer at the biggest blocks of flats, where common areas have CCTV, which Moe believes the tenants appreciate. Once again he reiterates that his tenants are just as good as any other tenants.

"But they need extra support to start with. That is an investment in a good, long-term landlord-tenant relationship."

# The Norwegian Government's Award for

The Norwegian Opera House – a stage for city life

# Good Practice in Housing Design 2008



Text: Anette Hansen, of the Housing Bank's Regional Office South  
Photo: Statsbygg

**The architects at Snøhetta have created a completely new space. It's most striking feature is its democratic design. The opera has become a stage not just for high culture, but also for city life.**

The architectural firm Snøhetta was awarded the Norwegian Government's Award for Good Practice in Housing Design for 2008. For the jury, the physical space was just as important as the building itself in terms of its decision. The award was a recognition of the fine design of both the building and its surroundings.

"Originally we thought that we couldn't give the prize to The Norwegian Opera and Ballet, but when we saw how popular it became once it opened, we realised that Snøhetta had created a completely new space for Oslo and the whole of Norway," says Bente Florelius, who chaired the jury.

The jury felt that the architects had designed the opera in such a way that they had turned an isolated plot into a location that had been embraced by the whole population. It sets a standard for the new district of Bjørvika, and demonstrates the importance of architectural excellence to successful urban development.

#### **The jury's justification**

In its justification of its decision, the jury said:

"A completely new space has been created – both for Oslo and the whole of Norway. This transformation of

Oslo is viewed in many parts of the world as being something unique and new – and perhaps Norwegian – on account of its democratic design. The opera has become a stage not just for high culture, but also for city life."

"I have thought about what we have done. It feels quite strange," says Tarald Lundevall, the architect at Snøhetta who was responsible for the design of the opera. The opera has won several prizes, including an award for "World Cultural Building of the Year 2008".

**The Norwegian Government's Award for Good Practice in Housing Design** can be awarded to structures and built environments that through their design, choice of materials, form and interaction with the location and environment help to raise, renew and develop the general quality of the built environment. Structures with a universal design, which use high-quality and environmentally friendly materials, shall be favoured.

#### **New impulses**

"This time the architects have actually outdone themselves. They have created something that they were not in a position to plan. It has been fantastic to get people into this building," enthuses Tom Remlov, the CEO of the Norwegian Opera and Ballet.

The jury felt that as a venue, perhaps even more than as an opera hall, the new building would give inspiration to the ballet dancers, opera singers and musicians in and around it, and thereby also help to create contemporary forms of expression capable of reaching a wider and ever growing audience.

# Key figures 2008

	2008		2007		2006	
	NOK million	No.	NOK million	No.	NOK million	No.
<b>Loans, approvals</b>						
<b>Total</b>	<b>12 374</b>		<b>11 043</b>		<b>12 466</b>	
<b>Loans for new housing units, etc.</b>						
Basic construction loans	5 457	5 041 units	5 099	4 192 units	6 961	6 665 units
Loans for residential care homes, etc.					61	48 units
Loans for nursery schools	2 117	7 954 places	1 743	7 593 places	1 555	7 852 places
<b>Loans for house buying and home improvement</b>						
Start up loans	3 833	6 490 households	3 534	4 872 households	3 345	6 530 households
Home improvement loans	728	3 470 units	527	2 021 units	433	1 881 units
Basic loans for purchasing rental units	239	248 units	140	155 units	111	107 units
<b>Budget</b>	<b>13 000</b>		<b>13 000</b>		<b>13 500</b>	

## Costs/ financing

	2008	2007	2006
<b>- homes with basic loans</b>			
Average loan per household (NOK)	1 715 100	1 484 200	1 367 900
Average usable space (BRA)	94	83	80
Average build cost per sq. m (NOK)	19 100	19 550	18 400
Construction cost index for all housing units (2000=100) 1)	139,9	132,4	123,3
<b>Average cost per housing unit (NOK)</b>			
<b>Site cost</b>	228 700	197 100	173 000
Construction costs	1 792 500	1 622 900	1 470 600
Project costs	2 162 100	1 958 500	1 757 700
Housing Bank loans as % of project costs	79,3	75,8	77,8
<b>Green and universal design 2)</b>			
Energy efficiency, no. of units	3 187	2 926	3 484
Universal design, no. of units	3 712	3 269	4 677

1) Source: Statistics Norway

2) In units approved for basic construction and improvement loans

	2008		2007		2006	
	NOK million	No.	NOK million	No.	NOK million	No.
<b>Housing Bank grants</b>						
<b>Total</b>	<b>6 369</b>		<b>5 072</b>		<b>4 428</b>	
Housing allowance	2 420,9	126 100 h-holds	2 336,0	129 700 h-holds	2 213,9	121 600 h-holds
Target housing grants – first home	410,5	1 412 units	333,1	1 448 units	299,6	1 596 units
Target housing grants – rental units	231,0	977 units	185,0	884 units	193,0	735 units
Target housing grants – adaptation 1)			86,3	3 156 h-holds	81,0	3 014 h-holds
Int. subsidies- res. care homes, etc.	1 701,7	41 596 units	1 405,5	40 503 units	1 142,1	35 271 units
Schools – interest subsidies	761,7	0 projects	524,0	61 projects	323,9	95 projects
Churches – interest subsidies	23,4	0 projects	11,4	96 projects	3,1	204 projects
Grants for research and development	92,5	328 projects	81,0	393 projects	82,7	391 projects
Urban redevelopment grants	43,0	42 projects	43,0	22 projects		
Regional development grants	9,0		4,0			
Investment grants	499,4	1 140 units				
Student accommodation grants	175,8	780 units	66,8	333 units	88,4	377 units

1) Figures from municipalities not yet available for 2008

## Disbursements, NOK million

	2008	2007	2006
Loans	12 158	12 031	10 802
Housing allowance	2 421	2 336	2 214
Targeted housing grants	673	596	592
Urban redevelopment	43	1	
Housing quality grants	0	14	42
Start up loans for residential care homes, etc.	50	1 258	773
Interest subsidies – residential care homes, etc.	1 702	1 406	1 142
Interest subsidies – schools and churches	785	535	327
Grants for research and development	79	63	46
Investment grants – residential care homes/ nursing homes	44		
Student accommodation grants	141	85	85
<b>Total housing allowance and grants</b>	<b>5 938</b>	<b>6 293</b>	<b>5 221</b>

## Administration

	2008	2007	2006
Average interest rate at 31 Dec.			
Borrowings, %	4,75	4,19	3,90
Loans made, %	4,76	4,18	3,89
Interest income, interest expenses, etc., NOK million			
Interest income on loans	4 692	3 999	3 690
Interest expenses	4 713	4 021	3 714
Interest support	21	21	23
Principal repayments received	8 089	9 582	10 594
Total borrowings	100 922	96 865	94 416
Outstanding loans	100 949	96 936	94 435
Loan growth	4 013	2 501	115
Payment commitments	11 891	13 136	15 652

## Delinquencies

	2008	2007	2006
Losses (net), NOK million	10	11	17
Losses as a % of outstanding loans	0,010	0,011	0,018
Number of delinquent loans	904	1 049	1 228
Value of delinquent loans, NOK million	650	676	791
Delinquent loans as % of total loans	0,64	0,70	0,84
Number of compulsory sale notices	415	396	467
Number of compulsory sales implemented	56	68	93
No. of repossessed properties at 31 Dec.	5	5	7

## Administration

	2008	2007	2006
Knowledge sharing, number of events	825	1 017	
Knowledge sharing, number of participants	22 038	25 598	
Administrative expenses incl. loan losses, NOK million	312	293	298
Adm. exp. as a % of outstanding loans	0,31	0,30	0,32
Number of full-time equivalent employees	340	340	345
Operating expenses per FTE employee (NOK)	918 000	862 000	843 500
Fee income, NOK million	16	18	19

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