

## 1.4 English summary

The purpose of our study has been to assess the performance of the Basic Mortgage offered by the Norwegian State Housing Bank. Our period of analysis spans from Jan 1<sup>st</sup> 2006 to December 31<sup>st</sup> 2009.

The Basic Mortgage was introduced on July 1<sup>st</sup> 2005 as the former Construction Mortgage was being phased out. The official objectives of the Basic Mortgage are fourfold: To promote environmentally friendly and universally designed dwellings and provide financing for construction in rural districts where it may be difficult to obtain a regular mortgage. In addition, the basic mortgage also offers financing for first time home buyers and for the procurement of rental units directed towards youth and other disadvantaged groups. However, it is fair to say that within the program there is substantially more focus on fostering environmentally friendly and universally designed dwellings than on the latter two objectives, and this is also reflected in our evaluation. Moreover, environmentally friendly dwellings have for all practical purposes become synonymous to energy efficient dwellings as other environmental features such as reusing building materials, using environmentally friendly building materials, and reducing construction waste do not carry the same weight in the mortgage application process.

Our assessment is multifaceted. It consists of a theoretical analysis of the channels of influence through which such a mortgage program may work to advance the agenda of environmentally friendly and accessible housing. In addition, we present results from surveys administered to different users of the basic mortgage program (professional developers and housing officers in municipalities and non-profit organizations), as well as Housing Bank loan officers and end-users who have bought a home through the Basic Mortgage program. These results are supplemented with excerpts from in-depth interviews with loan program officers as well as representatives from several building industry organizations. Finally, we analyze data from the Housing Bank's internal basic mortgage application database to shed light on the characteristics of the building projects that are granted funding from the basic mortgage program and highlight the changes that take place over time.

Our main findings may be summarized as follows:

The most important contribution of the Basic Mortgage program has undoubtedly been to increase the number of both energy efficient and universally designed dwellings as the standards set forth in the program guidelines are stricter than those stated in the building code. Over the course of our study period, the share of universally designed units increased steadily, and in 2009 2/3 of all dwellings granted a basic mortgage were planned as a lifetime home. It is reasonable to believe that the program's emphasis on life span design has been a contributing factor in the process leading up to the revision of the building code in 2010, in which minimum space and accessibility requirements were made more explicit and stricter.

In terms of energy efficiency, the impact of the basic mortgage program has been somewhat weaker as it has not become as universally accepted as the life span design. In 2009 63 per cent of the units granted a basic mortgage incorporated some level of energy efficiency over and above that required by the building code.

Our surveys reveal some differing views on the quality criteria embedded in the basic mortgage program.

The professional developers claim that there is little demand for universal design or energy efficiency in the housing market and they use the basic mortgage program mainly for the interest subsidy. Moreover, the basic mortgage approval is considered to be a seal of quality as they sell the dwellings. At the same time, the overall sense is that it is not difficult to comply with the extra design or construction requirements of the basic mortgage, but there is still an unmet need for information and guidance from the Housing Bank.

Similarly, the Housing Bank's loan officers do not report having any difficulties getting professional developers or other applicants to comply with the higher standards. However, they also report that there has been a lack of clearness and consistency in the directions from the regional and national leadership in terms of how hard they should try to incorporate higher levels of energy efficiency and/or more elements of universal design into project applications.

Regarding the remaining two program objectives our evaluation does not find the basic mortgage program to be a critical factor in the provision of new construction in remote areas. The average share of new dwellings financed through this program is no higher in small municipalities than in large municipalities. Moreover, the program does not finance a greater share of the new construction in municipalities where the total construction activity is low.

Nor do we find that the basic mortgage program plays a major role in the provision of housing for disadvantaged households or for first time home buyers as there are other mortgage and grant programs that are more targeted towards these particular groups. However, the basic mortgage may be used in conjunction with other programs to generate housing opportunities for these groups.

In light of these findings it is our recommendation to focus the objectives of the basic mortgage on the dwelling quality criteria and omit the objectives related to construction in rural districts and for disadvantaged groups.

Following the revision of the building code in 2010, in which the overall quality and design criteria (almost) caught up with the quality/design criteria of the basic mortgage, we propose three alternative ways forward, all of which have their pros and cons:

- (1) To further strengthen the criteria that were affected by the changes in the building code
- (2) To emphasize other quality criteria that currently receive little attention, e.g., environmentally friendly building materials and reducing/recycling construction waste, as well as upgrading existing construction
- (3) To continue today's practice, but in greater combination with grants and outreach activities that foster new knowledge.

Alternative (1) will help pave the way for the implementation of the passive house standard 2015-2020. Alternative (2) will shift the attention away from energy efficiency towards other means to make the construction process and the dwellings more environmentally friendly, and it will also more heavily promote good building qualities in the upgrading of the existing dwellings not currently subject the same strict building code criteria. Alternative (3) will

promote more innovative building projects that will showcase new ideas in building design and technical solutions that will eventually trickle down to the mass market.