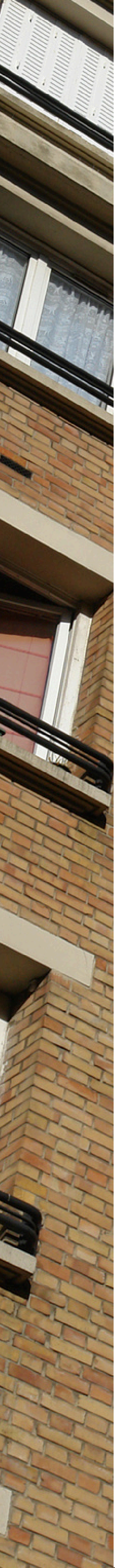

HOUSING EUROPE

EqualHouse

Policy Snapshot: *Loan Guarantee Funds*

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POLICY SNAPSHOT
LOAN GUARANTEE FUNDS

WHAT ARE LOAN GUARANTEE FUNDS?

These are ring-fenced funds that can be drawn on to cover non-payment of loans taken out to build or buy new social housing and thereby provide a form of guarantee to lenders. They are generally provided, funded and managed by governments, or social housing providers or by a combination of both.

WHY ARE THEY USED?

They underwrite lending to social housing providers to reduce the risk for lenders and increase the availability of housing finance and reduce its cost.

HOW DO THEY WORK IN PRACTICE?

GOVERNMENTS, SOCIAL HOUSING PROVIDERS OR BOTH CONTRIBUTE TO A FUND THAT GUARANTEES SOCIAL HOUSING DEVELOPMENT LOANS

GUARANTEE FUNDS AND ASSOCIATED REGULATORS REASSURE LENDERS THAT SOCIAL HOUSING DEVELOPMENT AND RENOVATION LOANS WILL BE REPAID

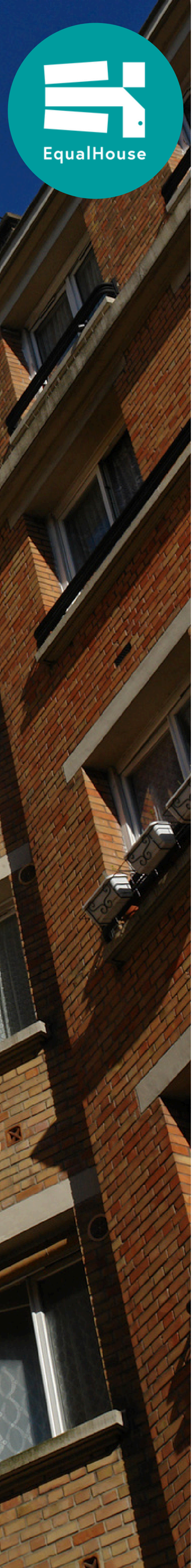
THE GUARANTEE FUND IS USED IN COMBINATION WITH REGULATION AND FINANCIAL OVERSIGHT OF SOCIAL HOUSING PROVIDERS

INCREASES THE SUPPLY OF LOAN FINANCE FOR SOCIAL HOUSING PROVISION

REDUCES THE COST OF THIS LOAN FINANCE BY REDUCING INTEREST RATES

WHERE ARE THEY USED IN EUROPE?

La Caisse de Garantie du Logement Locatif Social (CGLLS) is France's national public guarantee and financial-stabilisation institution for the social rental housing sector. Originally created in 1985 and restructured by the 2000 SRU Law, it operates as a public administrative body managing a subsidiary guarantee on loans contracted by social-housing providers for construction, rehabilitation and acquisition-improvement. The guarantee intervenes only if local-authority guarantors cannot meet their commitments. CGLLS is financed through compulsory annual contributions paid by social-housing organisations, with the latest rules set by the 30 October 2023 ministerial order linking contributions to net rental income. While loan-guarantee activities remain central, CGLLS also supports providers experiencing financial distress, offering loans or grants to restore stability, and may facilitate organisational restructuring or mergers within the sector, although these broader roles have increasingly been shared with other national instruments in recent years. Unlike the Dutch WSW, which provides a primary guarantee backed by a sovereign–municipal backstop, CGLLS plays a more limited, secondary guarantee role within France's multi-layered financing architecture led by the Caisse des Dépôts/Banque des Territoires. This positions CGLLS as a stabilising but not dominant pillar of the French social-housing finance system.



WHERE ARE THEY USED IN EUROPE? (*CONTINUED*)

In the Netherlands, social housing borrowing is supported by a three-layer guarantee system with strict regulation:

- **First layer – Regulation:** Housing associations (woningcorporaties) must comply with the Revised Housing Act 2014 and are supervised by Autoriteit woningcorporaties (Aw), which monitors solvency, liquidity, and governance to maintain lender confidence.
- **Second layer – WSW Guarantee:** Waarborgfonds Sociale Woningbouw (WSW) provides collective guarantees for loans used in construction, renovation, and management. Its capacity is backed by risk capital, collateral, callable capital from associations, and fees.
- **Third layer – Government Backstop:** A contractual agreement allows WSW to access interest-free loans from central and local governments (50/50 split) within 75 days if risk capital falls below a set threshold. Though never used, this backstop supports AAA/Aaa credit ratings.

Together, these layers create a resilient system that reassures lenders, stabilises investment flows, and reduces borrowing costs for social housing providers.

WHAT ARE THE RELATIVE STRENGTHS AND WEAKNESSES?

Strengths	Weaknesses
• Widens social landlords' access to market finance; • Can reduce the cost of interest on private finance for social housing and thereby enable dwellings to be rented for below market rents; • Well-managed guarantees have little or no impact on the government balance sheet, so they can be cost effective; • Particularly useful when public investment is limited; • Can bolster the credibility of new initiatives, support new investment pathways and ensure market stability during economic crises.	• Social landlords need to set aside revenue to capitalise the fund, which they may not have the capacity to do; • Moral hazard of supporting risky but desired investments; • Measuring the effect of a guarantee on loan interest is challenging; • May oversupply private finance to a particular market and crowd out other investment; • May lead to inefficient practices because credit costs don't reflect credit risk; • Complex to manage, may need a special purpose financial intermediary to do so.

Where can I learn more?

- Caisse de Garantie du Logement Locatif Social (CGLLS) - https://cglls.fr/
- Waarborgfonds Sociale Woningbouw (WSW) - https://www.wsw.nl/
- AHURI: https://www.ahuri.edu.au/sites/default/files/migration/documents/AHURI_Positioning_Paper_No156_The-use-of-guarantees-in-affordable-housing-investment-a-selective-international-review.pdf
- EqualHouse Report on Financing Social Housing https://equalhouse.eu/media/Publications/Making_Housing_Affordable/EH%20WP5%20Finance%20Report%20Final%20for%20Website.pdf

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