Network for Studies on Pensions, Aging and Retirement

Shared equity mortgages as boost for mobilising home equity: an interesting option for pension funds

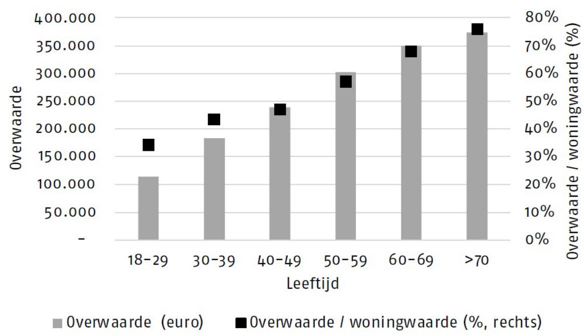
"Pension funds hold the key to increased household liquidity and reduced housing market risks"

C. van Ewijk, A. Giesen, M. Knoef, M. Mastrogiacomo and A. Slager

About 1,200 billion euros are tied up in home equity on the Dutch housing market. Although that wealth is at risk if house prices fall, these assets can nevertheless be mobilised for other purposes. At the moment, home equity is scarcely used. This paper investigates how the introduction of shared equity mortgages (in which the value of the loan upon repayment moves with the market value of the home) can break this impasse in risks and liquidity.

Principal Findings

- The market for mobilising equity in owner-occupied homes is struggling to get off the ground in the Netherlands.
- This inhibits investments in improving the sustainability of housing stock and limits households' liquidity and financial resilience.
- Increasing household liquidity will also improve macroeconomic stability as consumption will be less volatile.
- Innovation is needed to move the market. Shared equity mortgages can contribute to this.
- These mortgages should be as simple, transparent and standardised as possible and made easily available for pension fund investments on a large scale.



Figuur 1a: Cijfers 2022

Key Takeaways for the Industry

- Pension funds can take the lead in this mortgage innovation as a trusted partner and ensure a better distribution of housing market risks.
- Clarity is needed about the division of responsibilities and possible liability risks for pension funds. In addition, good guidance for consumers is needed. And, where necessary, this should be supported by legislation and regulatory measures.

Want to know more? Read the paper **'Participatiehypotheken, impuls voor mobiliseren woningkapitaal. Interessante optie voor pensioenfondsen' (in Dutch)**

As a knowledge network, Netspar facilitates independent, academic research on pensions and aging; www.netspar.nl