

# STATEMENT

## COMMENTS ON FINANCING SOCIAL HOUSING WITH GOVERNMENT BONDS

21 June 2017

The government suggests financing social housing with government bonds instead of mortgage-backed securities from 2018, cf. the [press release](#) from the Ministry of Transport, Building, and Housing. Danmarks Nationalbank supports the proposal. Governor Lars Rohde states:

"With this proposal, the central government expects to achieve significant cost reductions. This reflects, among other things, that the interest rate on government bonds is lower than that on mortgages."

"The gradual refinancing of the loans in the social housing sector means that the debt of the central government and the EMU debt is expected to rise, although it will still remain low in international comparisons. Over a number of years, the central government has focused on gathering loans through issuance of government bonds rather than issuances with government guarantees. This supports the liquidity in the market for government bonds. Furthermore, investors and credit-rating agencies continually put more emphasis on the need for transparency of the government's liabilities."

"Financing of social housing with government bonds improves and simplifies the central-government's risk management because the debt issuance becomes integrated in the debt and risk management strategies. Financing of social housing with government bonds leaves the credit risk of the public sector virtually unchanged. This is because the municipalities guarantee the majority of the debt for social housing."