



Quarterly figures

Homeownership Guarantee Fund (WEW)

Third Quarter, 2018 | Reference date: 30 September 2018

Disclaimer: This quarterly report is based on preliminary figures from WEW

Continued focus on improvement

In the third quarter of 2018 the number of new NHG-guarantees issued fell by 5.1% compared to the same period last year. The number of loss claims submitted in the third quarter of 2018 fell by 65% (to 174) compared to the third quarter of 2017. This is the lowest number of loss claims submitted since 2009. The continuing sharp rises in property prices are resulting in an ever-more robust Guarantee Fund.

NHG conducts research into a range of issues: how consumers can gain better access to the housing market and obtain a mortgage, and how to improve cooperation with partners in the chain. We are also looking into how market propositions can be aligned with the demands of self-employed persons without employees (SEPs), and whether the surety fee could be further reduced in 2019. For the purposes of knowledge exchange and optimisation of shared processes, we recently started to share our insights with mortgage lenders relating to their reports.

TRENDS new guarantees

Guarantees	3rd quarter		to end of 3rd quarter	
	2018	2017	2018	2017
Volume rounded up to nearest hundred				
NHG total	28,100	29,600	82,600	87,200
NHG for house purchase	22,500	25,800	66,300	74,800
NHG for home improvement	3,100	3,400	10,700	11,100
NHG other	2,500	400	5,600	1,300

Fall in number of guarantees

The number of new guarantees issued in the third quarter fell by 5.1% year-on-year. The number of households taking out an NHG mortgage to buy a home fell sharply in the third quarter of this year (12.8%) year-on year. This decline was due in part to the sharp rises in property prices, in combination with the fixed NHG-price ceiling. As a result fewer properties qualify for an NHG-backed mortgage. The Netherlands' Cadastre, Land Registry and Mapping Agency (Kadaster) also reported a year-on-year fall of 7.3% in the third quarter in the number of dwellings sold from existing housing stock. In the third quarter 2,500 households changed their mortgage to an NHG-backed mortgage. This represents 8.9% of the total number of new guarantees issued.

Age of SEPs

Age category	Number of new SEPs NHG	%
25 - 35 year	475	57,5
35 - 45 year	133	16,1
45 - 55 year	83	10,1
55 - 65 year	10	1,2
Total*	824	100
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*Total is exclusive of reports from one mortgage lender

Results of the Statement of income for self-employed persons without employees

Until recently, lenders issued a mortgage based on income from salaried employment. As a result, SEPs encountered major barriers to the housing market. For that reason, in late 2016 NHG introduced the statement of income calculated by independent experts. This statement means that SEPs may be eligible for a mortgage after their first year in business, compared to the normal 3-year eligibility requirement. Independent experts draw up an income assessment for entrepreneurs based on factors such as the outlook for their particular sector, their work experience and their income in the current year. This means that many mortgage providers are granting mortgages to SEPs much earlier, including non-NHG mortgages.

Over 1,000 SEPs have bought a home with an NHG-backed mortgage since the income statement was introduced. Our initial conclusions are that the entrepreneurs who have recently set up their own business are financially healthy.

It will be a few years before we can obtain a definitive picture of the risks involved in mortgage provision to the SEP market. NHG will continue to monitor any changes in the situation.

Trends in control mechanisms and focus NHG

Claims made on the suretyship	3rd quarter		to end of 3rd quarter	
	2018	2017	2018	2017
Number of loss claims submitted	174	495	825	1,669
% loss claims processed	81%	100%	96%	100%
Number of loss claims honoured	128	437	715	1,498
Total loss amount under surety (A) *	2.6	11.6	14.5	41.5
Total loss amount paid out (B) *	2.3	11.0	13.2	39.4
Average loss amount paid out in €	17,767	25,111	18,433	26,322
Pay-out ratio (B/A)	93.0%	94.5%	90.6%	95.0%

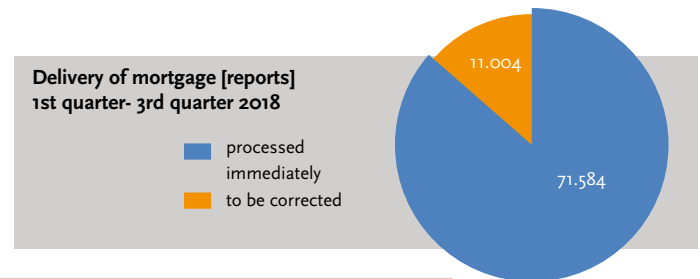
*based on loss claims paid out (x € 1,000,000)

Reduction in number of number loss claims and average loss claim paid out

In the third quarter 174 households made a claim on NHG as a result of a forced sale of their home at a loss; this figure is 65% lower than for the same period last year. It also represents the lowest number of loss claims since the third quarter of 2009. The average loss claim paid out fell year-on-year by nearly 30% to over EUR 17,700. Due to rising property prices the sale proceeds are now increasingly sufficient to allow homeowners to pay off the mortgage. Nonetheless NHG is continuing its effort to prevent mortgage arrears and to help people keep their home as well.

Clarity and improvement on management process with mortgage lenders

NHG has recently obtained insight into the management of approx. 85,000 NHG-backed mortgages issued by 37 mortgage lenders in the first three quarters of 2018. NHG has developed a monitoring tool for this purpose, known as the Guarantee monitor. This monitor provides NHG with a comprehensive picture of the reports from mortgage lenders. The overview is sub-divided into guarantees that are correctly processed immediately and guarantees that could not be processed immediately in the NHG administrative systems (meaning that the mortgage lender in question is unable to make a claim on the surety). These results provide a basis for NHG to enter into dialogue with individual mortgage lenders: to improve processes or to learn lessons from those cases that were error-free. Mortgage lenders are positive about these dialogues, since they provide further points for improving the collaboration between lenders and NHG.



Fund trends

Guarantee fund	Estimate per 30-09-2018	Annual accounts per 31-12-2017	Annual per 31-12-2016
Number of active guarantees	1,397,000	1,353,000	1,309,000
NHG liabilities x € 1 b . ¹	203	198	193
NHG assets under management x € 1 m . ²	1,218	1,104	970
Capital ratio . ³	0.60%	0.56%	0.50%

¹ The maximum guaranteed liability is the sum of the nominal value of all the principal NHG loans outstanding minus the maximum amount of the mortgage repayments since the NHG loan origination (assuming an annuity amortization schedule) and the capital accumulated in related life insurances and bank savings (where appropriate).

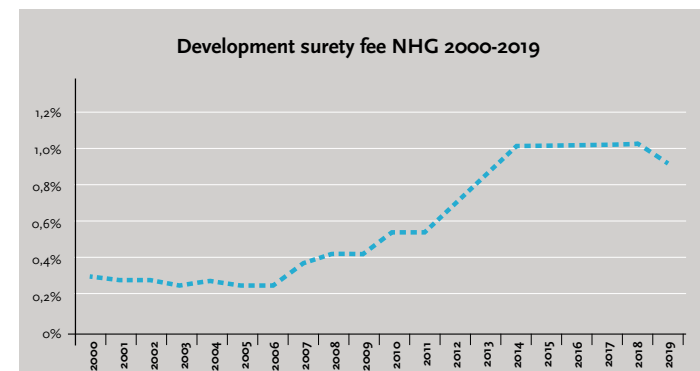
² The assets under management form the equity of the Homeownership Guarantee Fund Foundation from which future losses will be paid.

³ Assets under management and percentage of the NHG liabilities.

In Q3 the assets under management at the Guarantee Fund rose further, reaching a total of € 1,218 million: The surety fee income from new guarantees issued (EUR 43 million in the third quarter) was substantially higher than the losses paid out on existing guarantees (EUR 2.3 EUR million). The fund's assets are deployed to support home owners in problem situations now and in future, and to absorb higher losses when the economic climate becomes unfavourable.

NHG premium will be reduced in 2019

The suretyship fee for an NHG-backed mortgage (known as the NHG premium) will be reduced from January 2019. This is one of the



changes in the NHG Conditions and Norms for 2019. Homeowners who apply for an NHG-backed mortgage will pay a fee of 0.9% of the mortgage amount instead of the current 1% fee which has been in force since 2014.

This represents the first step towards a lower and more stable premium which will no longer be dependent on market fluctuation. NHG is developing a new methodology to determine a long-term premium. The standard review conducted annually by an independent actuary on behalf of NHG provides an indication of the premium required to allow sufficient security in respect of our ability to meet future loss claims on NHG guarantees.

Since the methodology is still under development, NHG has decided to take a first step by reducing the premium to 0.9% next year, whilst continuing discussions on the methodology. NHG aims to achieve a suretyship fee which is as high as necessary but as low as possible.