

A more flexible guarantee system

31 March 2009

Title: A more flexible guarantee system
Review of Government mission

Published by: The National Housing Credit Guarantee Board (BKN)
BKN's reg.no: 17-60/09

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Summary

BKN proposes a model where Parliament and the Government determine objectives and financial guidelines for the guarantee operations, while the agency develops the actual instruments in order to achieve the specified objectives.

The objectives that have been determined by the Parliament and Government on housing policy are broken down into more specific goals with regard to the guarantee operations and are specified in the instructions to BKN.

The overall financial guidelines for the support of long-term well-functioning housing markets are determined by Parliament. The Government can then propose to, within the framework, define the distribution of the objectives that the agency shall strive towards.

The proposal comprises a new ordinance for the guarantee operations which gives BKN the capacity to act in a flexible and situation-adapted manner in order to better meet the demands and goals the Government has regarding operations. The responsibility of the agency concerning achieving the goals becomes clearer. The ordinance proposal follows the ordinances that regulate the operations of the Government's other guarantee authorities. The current detailed regulation of the agency's instruments, that make it more difficult to contribute to the objectives set by the Government and Parliament, will be discontinued.

1. The mission

The Government granted a mandate to BKN, through a decision on 18 December 2008, to develop a proposal on how the regulatory framework surrounding the guarantee system could become more flexible and adaptable to different situations.¹ Background to this mission is that the Government believes it is important the state guarantee system for mortgages continuously meets existing demands. The mission states small towns and rural areas shall be given special consideration. It is further stated that the proposals shall contain ordinance proposals and assessments of results.

This report is BKN's account of the mission.

1.1. Contents of the mission

The mission concerns the issue of the possibilities of running target-oriented guarantee operations which are adaptable to various needs. In this report BKN therefore focuses on the issue of a regulatory framework versus detailed regulations, i.e. the issue of capacity to operate target-oriented activities.

BKN, however, concludes that the issue of capacity is closely connected to the issue on how the objectives and mission are formulated. New regulations for operational practices call for an overview of how the objectives are formulated. BKN provides proposals for operational objectives.

BKN also addresses the wish for enhanced flexibility in the sense of increased opportunities for the Government to use the instrument of credit guarantees in the housing sector within the guidelines set by Parliament.

2. Steering of agencies – general guidelines

In the budget proposal for 2009 (bill 2008/09:1), the Government develops its view on how the steering of agencies should be performed in the future. Considerations and proposals are based to a large extent on the Steering Study report, *Att styra staten*, SOU 2007:75.

The Government makes the assessment to attempt to treat all agencies the same, which has benefitted greatly regarding financial monitoring and resulted in disadvantages concerning steering of operations. All agencies have been given objectives and called upon to report back according to a common design. This has resulted in agencies having difficulties in seeing where their own areas of priority lie and resources have been ploughed into reports which have not been used.

¹ BKN's letter of regulation for the budget year 2009. Fi 2008/8053 (in part)

From the Government's point of view this has meant difficulties in adapting steering and reporting to fit political priorities.

The Government now intends to reform the steering of agencies. A first change has already been implemented in that the structure of operational areas in the budget proposal has been removed. The budget proposal announces the following direction for the future:

- The mission in the instruction is the one that the agency shall be evaluated against. The mission shall be so designed that the agency independently owns it.
- The letter of regulation shall primarily describe which resources the agency is given in order to perform the mission in the instruction. Shorter tasks and special requirements on reporting back are also to be found in the letter of regulation.
- The forms for reporting back are generally not regulated. The agency is deemed to best know how the development within a certain area shall be described.

The Steering Study concludes that a more flexible written steering of agencies will place greater demands on the verbal communication between agencies and departments. The Study also suggested that this verbal communication should be more explicitly regulated than at present. The Government decided not to agree with the Study in this matter.

3. Principles for the Government's guarantee authorities

After the difficult financial and state economic crisis during the first half of the 90s Parliament decided to put a cap on public sector spending and on new regulations for financial control of the state guarantee operations. In light of the demands for increased financial control was the fact that state guarantees throughout the years have brought significant costs to the state. Risk assessments and attempts to steer and foresee costs had been insufficient. Spending had been allowed to affect the state budget gradually, through a form of appropriations without determined amounts.

The State Budget Act (1996:1059) stipulates for Parliament to provide amount guidelines for guarantee obligations. Furthermore, the provisions state that a fee shall be charged for guarantee obligations and the size of the fee shall correspond to the financial risk of the state and other costs with regard to the obligation, unless Parliament has in respect of a certain obligation decided otherwise. The Government or the authority that the Government chooses will decide on the size of the fee.

Moreover, in accordance with proposal 1996/97:1 Parliament decided when fees are not received from the guarantee holder, a state subsidy will be charged to appropriations. Fees and appropriations funds are reserved in accounts at The Swedish National Debt Office (the Debt Office). In order for the state to always be able to meet its obligations unlimited credit is connected to each account.

In the proposal, it was suggested the guarantee operations of the state be divided into three areas and that three agencies receive performance accountability for one area each: BKN, the Swedish Export Credits Guarantee Board (EKN) and The Debt Office. EKN had already applied the fundamental principles of the Government's proposal at that time.

Apart from EKN, the Debt Office and BKN, Sida is currently also a guarantee authority. EKN and the Debt Office have the largest guarantee obligations.

The guarantee authorities have promotion tasks and yet, also the task of financial responsibility – which can be conflicting and require a balancing act. The promotion shall be efficient in the sense that the support becomes effective. At the same time, fees shall be charged and demands be made for the upholding of financial balance. Too much focus on any one task leads to inefficiency. Placing too much importance on promotion could lead to significant costs being developed in operations without the corresponding funds being reserved. On the other hand too large a focus being placed on the side of costs and management could mean results from this support would be lean.

Against this background there are three key factors for effective guarantee operations:

1. clear objectives for the promotion activities
2. cost liability
3. action capacity for the development of guarantees and guarantee terms and conditions

One thing EKN and the Debt Office have in common is the fact that the principal has given the agencies opportunities of offering various combinations of guarantee terms and conditions, security requirements and fees. There are comprehensive requirements for both agencies with regard to financial liability. The regulatory form expresses that the specific operational skills are expected to lie within the agencies - and not with the principal.

This role distribution follows the idea that it is the role of the principal to specify the objectives, comprehensively monitor the operations and achievement of objectives, and take action if results are not satisfactory. At the same time the responsibility of the agency with regard to objective achievement becomes clearer.

The ordinances regulating credit guarantee programmes are provided as appendices - EKN (appendix 3) and the Debt Office (appendix 4).

4. BKN's current regulatory framework

There are seven regulatory guidelines primarily containing provisions on BKN operations. These are:

1. The instructions. Ordinance (SFS 2007:836) with instructions for The National Housing Credit Guarantee Board
2. The letter of regulation. Letter of regulation for the budget year 2009 with regard to The National Housing Credit Guarantee Board (Fi 2008/8053)
3. Credit Guarantee Ordinance. Ordinance (SFS 2004:105) on Governmental credit guarantees for loans for housing construction etc.
4. Acquisition Guarantee Ordinance. Ordinance (SFS 2008:20) on Governmental credit guarantees for the acquisition of a home.
5. Ordinance (SFS 2007:624) on Governmental substitute guarantees for housing.
6. Ordinance (SFS 2002:664) on Governmental support for certain municipal obligations for housing
7. Ordinance (SFS 2007:623) on Governmental support for municipal rent guarantees

In this context the main issue is connected to the regular guarantee operations. At this point, therefore, we discount the specific provisions regarding support for certain municipal obligations and support for municipal rent guarantees.

The instructions to BKN contain provisions on the tasks of the agency and its management, etc.

The letter of regulation contains details on which funds BKN has at its disposal as well as operational objectives, requirements for reporting back, etc.

The credit guarantee ordinance contains provisions on credit guarantees. The ordinance was issued after Parliament had decided both on the formal regulation of the guarantee system, i.e. that the terms and conditions for credit guarantees are to be decided in agreements, and on the credit guarantee's maximum total amount (bill. 2003/04:1 expenditure area 18, ref. 2003/04:BoU1, Government Communication 2003/04:74).

The acquisition guarantee ordinance contains provisions on acquisition guarantees. In the proposal Parliament has considered, acquisition guarantees are described as credit guarantees to credit institutes that lend money to individuals for the acquisition of a home. The acquisition guarantees are intended for interest payments for the acquisition of a home, aimed at owned homes or cooperative apartments. (bill 2007/08:1 expenditure area 18, ref 2007/08:CU1, Government Communication , 2007/08:104)

The ordinance on substitute guarantees contains provisions on guarantees that have been issued under the revoked ordinance (1991:1924) on Governmental credit guarantees for homes. All such guarantees have today been replaced by contractual guarantees. The ordinance is no longer applicable.

5. Considerations

The housing sector plays a key part in the economy. For households the home as an asset often represents the possession of greatest value and housing is a significant consumption expenditure. Uncertainty and declining asset values increase the vulnerability of individual households. Prices and the range of properties for sale emerge in the cooperation between various housing markets, construction markets and housing finance markets. If financing does not work, the construction of new housing becomes limited as well as the renovation of older properties. In the long run, this means access to quality housing is limited. These dependency conditions show up very clearly in the current financial crisis and recession.

In light of the financial crisis, the Government has given BKN the mandate to review the need for developing new products. BKN submitted a first report within this mission in January 2009. In the work regarding this mission and closely related issues it has become very clear that BKN's capacity for action, to, in a demand and situation-adapted manner, offer financial participation, is restricted by the detailed regulations.

5.1. Evaluation of risks and development of guarantees

Guarantees affect risk distribution between the parties in a contractual relationship. The guarantees affect the incentive structure and the links between risk and resourcefulness. There are marked "moral hazard" problems to take into account when guarantees are developed. Guarantees can for example release some investor risk so that he/she becomes all too inclined to make investments (the over-investment problem). However, well-designed guarantees may also affect a situation with an all too limited investment and maintenance operation being changed for the better.

The usefulness to various stakeholders in the construction or renovation projects differs as well as the incentives and the distribution of risks and costs. Several stakeholders are involved: residents, developers/property companies, owners of the property companies, construction companies, lenders, guarantors, etc.

In December 2008 BKN submitted a proposal to the Government on state participation in funding of the renovation of the construction boom that took

place in the 60s and 70s.² A basis for the proposal was developed by consulting firm Ernst & Young AB (appendix 1 of the report). Ernst & Young emphasized that in specific cases thorough risk analyses are required in order to identify and assess the risks. They state that it is not easy to select which form of funding has the greatest prerequisites for leading to the right results. They point out it depends on which prerequisites exist in the financial market, the local interested party market and the prerequisites of the mortgage companies and their owners in general. They mean that several forms could exist simultaneously possibly developing into various hybrid forms. In other words it is important to be able to act in a situation-adapted manner in order to achieve goal objectives.

The development of guarantees and guarantee terms and conditions is a qualified task which needs to be performed in cooperation with risk assessment and the charging of fees. The core of an active and target-oriented guarantee operation is to evaluate and develop guarantees and guarantee terms and conditions. The evaluation and determination of the price of financial risks is in the focal point.

5.2. Today's limited capacity for action

BKN can, in light of comparisons with the provisions regulating EKN and the Debt Office operations, conclude that the capacity of BKN to act in a flexible and situation-adapted manner is relatively small. The ordinances on BKN's credit guarantees and acquisition guarantees contain provisions on individual guarantee terms and conditions which correspond to nothing in other guarantee authority regulations.

There are a number of demands and guarantee designs that have recently been brought to the forefront and lie outside BKN's capacity to act. In Table 1, examples are given on terms and conditions which have not been possible to apply due to detailed regulations partly in the Ordinance (2004:105) on Governmental credit guarantees for loans for housing construction etc. and partly in the Ordinance (2008:20) on Governmental credit guarantees for the acquisition of a home.

² Renovation of the apartment buildings of the 60s and 70s construction boom. Government participation in the funding. BKN-report. 19 December 2008. Reg.no.17-140/07

Table 1. Limitations in the current regulatory framework

<i>Demands/design</i>	<i>Comments</i>
Single guarantee or absolute guarantee	The ordinance states rules on compensation to credit institutes which imply single guarantee
Guarantee during the construction period	The ordinance states that a guarantee can only be given after a new or renovated building has been completed.
Renovations ³	The ordinance states rebuilding. The term is taken from the Ordinance (1992:986) on Governmental housing construction subsidies. In the provisions of the Swedish National Board of Housing, Building and Planning (BFS 1995:55) the term is limited to new investments and certain listed maintenance operations.
Other securities as an alternative to the security of a property for construction loans at more than 90% of the market value	The ordinance does not admit guarantees for loans of more than 90% of a property's market value. A parent company guarantee from a credit worthy construction company can, for example, not create a guarantee for a higher loan.
Reinsurance of an insurance company's obligations towards first-time buyers	The ordinance states that BKN may only provide guarantees to lenders
Reinsurance of guarantee associations	The ordinance does not admit reinsurance of guarantee associations within construction and housing.
Other guarantee designs for first-time buyers	The ordinance contains detailed regulations and does not admit any adaptation of the form of guarantee.

³ The term renovation was used by BKN in the report *Upprustning av miljonprogrammets flerbostadshus*, reg.no.17-140/07 as a summarizing term for activities for making improvements to the standard of housing, corresponding to “new investments” in BFS 1995:55, and maintenance with the aim of preserving or restoring a function.

The provisions for the BKN guarantees therefore contain regulations on individual guarantee terms and conditions and restrictions that limit the capacity for action. One explanation for this relationship is the connection which historically has existed in other forms of support systems, etc. in the housing policy - support which today has been discontinued. The regulation, on a guarantee not being able to be given until after completion, has its basis in previous regulations on interest rate support - not in a risk assessment. The restriction with regard to guarantees not being able to be issued for loans for maintenance activities has its roots in previous aims to increase the number of homes.

The issue addressed so far in the report is the opportunities for the agency to be able to act in a target-oriented and effective manner in relation to the given objectives and mission. However, the Government's objective for the operations has not been affected.

5.3. Operational objectives

In the budget proposal for 2009 (bill 2008/09:1, volume 10 page 18) the comprehensive objective of Housing Market is formulated as long-term well-functioning housing markets where consumers' needs meet a range of properties for sale, i.e. the supply meets the demand.

For the subarea housing consumption the following targets are then stated:

- Freedom of choice in the housing markets,
- Reasonable housing costs
- Good prerequisites for establishment in the housing markets
- Diversity in housing that meets people's different needs
- Integration in housing

For the subarea housing supply the following targets are stated:

- Well-functioning housing markets with a long-term stable regulatory framework and with predictable terms and conditions for the construction, management and owning of housing in all forms of tenures
- The housing markets contribute to a functioning labour market in all parts of the country
- A well-functioning competition within the building sector and in the housing markets
- Long-term sustainable housing of high quality

BKN's guarantee operations shall contribute to achieving some of these targets. The next level of the target hierarchy is comprised of the objectives that state the direction of BKN's operations and thereafter its evaluation. The following provides three examples of such objectives for guarantee operations.

BKN shall facilitate establishment in the construction and housing markets.

The objective is that access to these markets shall be facilitated for both consumers as well as producers. This entails that BKN by issuing financial guarantees shall act towards good prerequisites for establishment in the housing markets, a well-functioning competitiveness within the building sector and in the housing markets.

BKN makes the assessment that there are major obstacles for access to both the rental market as well as to the market for owning one's home. One example is young people who find it difficult to establish themselves in the marketplace. BKN finds the construction market is distinguished by a few dominant actors and lack of competition and pressure for change. Since the end of the 90s construction costs have increased considerably more than consumer prices. Reduction in establishment obstacles in the building sector as well as for house hunters lead to improved functioning of markets. Reduction in establishment obstacles shall also act towards reduced segregation.

BKN shall act towards well-functioning markets for capital and risk sharing in relation to the construction and housing markets.

The objective is for the markets for capital and risk transferral to function well in relation to the construction and housing markets. This entails that BKN by issuing financial guarantees shall act towards producers and consumers being offered such opportunities to cover risks that are compatible with efficiently functioning markets.

BKN has, in a different mission, the task of analysing measures which can be taken in a longer perspective for the funding of the housing sector to function appropriately. Within the framework of that mission a main issue is how the prerequisites can be improved for both producers as well as consumers in order to protect themselves against major price changes on properties and situations which reduce the ability to pay, etc. BKN finds that the issue of how the financial markets provide risk sharing opportunities to actors within the building and housing sectors has become all the more significant and intends to bring up the issue in its concluding report of the mission in October.

BKN shall facilitate the funding of new construction, extensions, changes to and maintenance of housing properties if the markets show deficiencies.

The objective is to supplement the markets in individual segments so that new constructions, extensions, changes to and maintenance of housing properties correspond to long-term well-functioning housing markets where the needs of the consumers meet a supply of housing that meets the demand.

The upwards adjustment widens the purpose for which credit guarantees can be issued to include maintenance activities that are not included in the current ordinance's renovation terms. The upwards adjustment is directly connected with the terms that the Construction Procedures Study proposes for inclusion in the Planning and Building Act (1987:10), PBL, to thereby avoid that the same term has different connotations in legislation. The report *Bygg-helt enkelt*

(SOU 2008:68), is currently being considered in the Government Offices of Sweden. If terms or definitions change during the process the formulation of the objectives should be thus adapted.

The Government can also connect special priorities to the operational objectives or state specific objectives by ordinance, letter of regulation or other special decision. In the mission to BKN it should therefore be included for BKN to issue guarantees whenever applicable by ordinance or special decision by the Government.

5.4. The need for market assessments

A broader capacity for action in conjunction with the objective to act towards long-term well-functioning markets means an increased need for qualified financial studies. Thorough analyses are needed, to a greater extent, of how the financial markets are connected to the construction and housing sectors as well as assessments of how the guarantee operations can best be designed in order to lead to increased effectiveness on the market. BKN shall monitor and evaluate credit and risk coverage possibilities within the housing sector and take those initiatives needed for well-functioning housing markets.

5.5. Guarantee framework

Parliament decides on amount guidelines for guarantee obligations that the Government is authorised to take on. The Government in turn decides on amount guidelines for BKN. The Government's guidelines for BKN can be narrower both with regard to the amount as well as the direction. This means that the Government can be given a further mandate by Parliament than what BKN is given by the Government.

One order could therefore be that Parliament sets out collective guidelines and that the Government states guarantee guidelines which connect to the operational objectives stated for BKN.

Based on the examples of operational objectives stated for the guarantee operations above the amount guidelines would then be stated for:

- Guarantee obligations in order to facilitate establishment in the construction and housing markets
- Guarantee obligations for functioning markets for capital and risk sharing aimed at the construction and housing markets
- Guarantee obligations in order to facilitate the funding of new construction, extensions, changes to and maintenance of housing properties if the markets show deficiencies

5.6. The situation in small towns and in rural areas

The proposals that BKN submits in this report create, in general, greater opportunities of developing market-adapted guarantees and guarantee terms and conditions, i.e. including guarantees to facilitate construction and housing in small towns and in rural areas.

BKN submitted a proposal in March 2008 to the Government with regard to credit guarantees to construction in rural areas. The proposal implied that BKN would be given the opportunity of issuing subsidised guarantees. In December 2008 BKN submitted a further proposal to the Government on support for the development of guarantee associations.⁴ The latter report especially emphasizes the model of credit guarantee associations being one way of contributing to rural area development.

5.7. Subsidies for guarantee operations

Parliament decides on appropriations which also applies to any appropriations for subsidies to the guarantee operations. BKN presupposes that the Government in letters of regulation or special decision states for which purposes and to what extent BKN would be able to charge reduced fees. This does not mean any change compared to the current order.

5.8. The task of reporting operational results and fulfilment of objectives

With an increased capacity for acting effectively in relation to the operational objectives there follows an increased requirement to also report the impact of the operations and fulfilment of objectives. It should be the responsibility of BKN to develop suitable forms for reporting results and the fulfilment of objectives. Based on the examples of objectives above this would mean that BKN develops a report for each objective.

6. Proposals

BKN concludes that the guarantee operations today are surrounded by regulations obstructing situation-adapted and flexible actions. This relationship limits the opportunities of BKN to fulfil the Government's comprehensive objectives and operation intentions. BKN finds that a new order should be based on the Government being given a relatively open mandate by the Parliament and the Government in turn creating the capacity for action with regard to BKN.

⁴ Private/public guarantee organisations for funding within the construction and housing sectors. BKN report 19 December 2008. Reg.no.17-47/08.

BKN therefore proposes:

1. That the Government asks for the Parliament's mandate to within a framework to issue guarantees in order to support long-term well-functioning housing markets where the consumers' needs meet a supply of housing that meets the demands.
2. That the Government sets out objectives for the guarantee operations which together with connected missions are included in 1 § in BKN's instructions (2007:836). The amendment proposal to the instruction is reported in appendix 1.

In accordance with the principles of the Government's steering of agencies BKN proposes the objectives and connected missions are stated in the instructions.

3. A new ordinance which gives BKN the capacity to act in a flexible and situation-adapted manner in order to better meet the needs that arise. The ordinance proposal is reported in appendix 2.

The ordinance is a framework in nature and based on the type of ordinance that regulates the guarantee operations of the Swedish Export Credits Guarantee Board and the Debt Office.

The proposal includes the discontinuation of the Ordinance (2004:105) on Governmental credit guarantees for loans for housing construction etc. and the Ordinance (2008:20) on Governmental credit guarantees for the acquisition of a home and the Ordinance (2007:624) on Governmental compensation guarantees for homes.

The proposal further includes that BKN develop the forms for reporting the results on the basis of the Government's objectives for the guarantee operations and the need of measurable goals for both the promotion operations as well as financial liability.

6.1. Assessment of results

The purpose of giving prerequisites for flexibility and situation-adapted solutions is to provide a basis for efficient operations. BKN shall simply be able to participate in better fulfilling the objectives the Government sets out for the operations by being able to act within a broader framework.

The size of the guarantee obligations BKN can issue today is decided by the guarantee limits that the Government states for the authority.

There are no changes regarding financial liability in the sense that BKN already charge risk reflecting fees and the opportunities for subsidies are provided by Parliament through appropriations.

The proposal with opportunities for improved situational adaptation shall be compared to the current regulations. Current regulations imply a limited capacity for action which in turn means that the achievement of the objectives is made more difficult. A number of examples already exist where every adaptation to situations requires amendments to the applicable ordinance and sometimes even new Parliamentary decisions.

Negative results for the state following an increased capacity for action could be utilised in a manner for which it was not intended. Guarantees can be issued without any positive market impact but with expected costs not balanced by fees. The value of increased freedom of action mirrors itself as a risk.

The essential consequence of the proposal is deemed as improved prerequisites for fulfilling the Government's objectives for the guarantee operations. Another consequence is also a shifting of responsibility for the effectiveness of the operations from the principal to the agency.

6.2. Ordinance proposals

BKN submits in appendices two proposals for constitutional amendments. The first one is a proposal for an amendment to BKN's instructions. The second one is a proposal for a new ordinance which also includes the discontinuation of existing guarantee ordinances.

Thus the proposal for constitutional amendments is as follows:

1. Proposal for amendment of 1 § in the Ordinance (2007:836) with instructions for The National Housing Credit Guarantee Board (appendix 1)
2. Proposal for ordinance on government guarantees for construction and housing (appendix 2)

6.3. Guarantee framework in the letter of regulation

BKN proposes that the limits for the various guarantee operations in terms of amount are stated in the letter of regulation, as is the case today. BKN proposes the amount guidelines relate to the various operational objectives stated by the Government. BKN submitted examples of the distribution of the limits in section 5.5.

6.4. Summary of the proposed regulation of BKN's guarantee operations

The proposal for regulation includes that the objectives of the Government with regard to the guarantee operations, BKN's cost liability and the capacity for action with regard to BKN are clarified. The operational objectives and the missions are stated in the agency's instructions, amount guidelines and appropriations in the letter of regulation and provisions for the guarantee operations in a special guarantee ordinance. This is illustrated in Table 2:

Table 2. Summary of the regulation of BKN's guarantee operations

	<i>Instruction</i>	<i>Letter of regulation /</i>	<i>Guarantee ordinance</i>
<i>Objectives/ missions</i>	<ol style="list-style-type: none"> 1. issue guarantees in order to facilitate establishment 2. issue guarantees for well-functioning markets for capital and risk sharing 3. issue guarantees in order to facilitate funding if the markets show deficiencies 4. issue guarantees by a special decision 5. market assessments 6. municipal support 7. monitor financial development in municipalities 8. support towards rent guarantees 	<p>Special missions</p> <p>Special objectives and priorities</p>	
<i>Cost liability and capacity for action</i>		<p>Amount limits</p> <p>Appropriations</p>	<p>Issuance and management</p> <p>Prerequisites for approval</p> <p>Risk assessment</p> <p>Scope and design</p> <p>Fees</p> <p>etc.</p>
<i>Other</i>	<p>Management</p> <p>Special bodies</p> <p>Employment and missions</p>		

Appendix 1: Proposal for the amendment of 1 § in the Ordinance (2007:836) with instructions for The National Housing Credit Guarantee Board

Current wording	Proposed wording
<p>Mission</p> <p>1 § The National Housing Credit Guarantee Board has as its mission to</p> <ol style="list-style-type: none"> 1) monitor that credit supply for new construction or housing renovation is sufficient and take the initiatives required for this purpose. 2) manage and report credit guarantees that the Board has issued under the Ordinance (2004:105) on Governmental credit guarantees for loans for housing construction etc., the Ordinance (2002:664) on Governmental support for certain municipal obligations for housing or older provisions and under the Ordinance (2007:624) on Governmental compensation guarantees 3) in support cases in accordance with the Ordinance on Governmental support for certain municipal obligations for housing <ol style="list-style-type: none"> a) confer with municipalities on suitable measures and conditions for support, b) on behalf of the state make agreements with municipalities on the participation of the state in the restructuring or reconstruction of a municipal housing company, 	<p>Mission</p> <p>1 § The National Housing Credit Guarantee Board has as its mission to</p> <ol style="list-style-type: none"> 1) <i>issue guarantees in order to facilitate establishment on the construction and housing markets</i> 2) <i>issue guarantees for well-functioning markets for capital and risk sharing in relation to construction and housing</i> 3) <i>issue guarantees in order to facilitate funding of new constructions, extensions, changes to and maintenance of housing properties if the markets show deficiencies</i> 4) <i>issue guarantees whenever applicable by ordinance or a special decision by the Government.</i> 5) <i>monitor and evaluate credit and risk coverage possibilities within the housing sector and take those initiatives needed for well-functioning housing markets</i> 6) in support cases in accordance with the Ordinance on Governmental support for certain municipal obligations for housing

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| <p>4) monitor the financial development in the municipalities and housing companies that are affected or could be affected by restructuring or reconstruction measures that are implemented with state participation and to evaluate the impact of the actions that have been taken, and</p> <p>5) review and decide on support under the Ordinance (2007:623) on Governmental support for municipal rent guarantees</p> | <p>a) confer with municipalities on suitable measures and condition for support,</p> <p>b) on behalf of the state make agreements with municipalities on the participation of the state in the restructuring or reconstruction of a municipal mortgage company,</p> <p>7) monitor the financial development in the municipalities and mortgage companies that are affected or could be affected by restructuring or reconstruction measures that are implemented with state participation and to evaluate the impact of the actions that have been taken, and</p> <p>8) try and decide on support under the Ordinance (2007:623) on Governmental support for municipal rent guarantees</p> |
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Appendix 2: Proposal for ordinance on government guarantees for construction and housing, etc.

Introductory provisions

1 § Guarantees refer to credit guarantees and other similar obligations. A credit guarantee may include capital amounts, interest and costs for credit.

Issuance and management

2 § The National Housing Credit Guarantee Board may issue guarantees whenever applicable by the ordinance with the instructions for the National Housing Credit Guarantee Board or through a special decision by the Government.

3 § Guarantees shall be managed by the National Housing Credit Guarantee Board unless the Government has decided otherwise.

Prerequisites for approval

4 § A guarantee may only be approved for those who are assessed as being fiscally fit and likely to have the ability to pay and means of conducting the operations that the guarantee is intended to support. The assessment shall take into account whether support may be given or be granted in other forms.

5 § Guarantees shall be approved in accordance with Sweden's international obligations with regard to state support

6 § Credit guarantees may only be approved for loans whose design is compatible with the law and other constitutions.

Risk assessment

7 § The National Housing Credit Guarantee Board shall assess and evaluate the financial risks of guarantee obligations to the state and ensure that the case receives a financially responsible review and management.

Scope and design

8 § Only if there is a particular reason may a guarantee include the entire cost of the operations it supports.

9 § A guarantee shall be subject to the conditions required with respect to the risk of the state and need for control and monitoring.

Fees

10 § Unless the Government has decided otherwise the National Housing Credit Guarantee Board shall charge a fee for its guarantee obligations that correspond to the risk and other costs of the state and determine the method of payment.

Informational duty

11 § The credit institutes that have approved loans against a guarantee shall provide any required information to the National Housing Credit Guarantee Board.

Claim management

12 § The National Housing Credit Guarantee Board shall ensure that whoever receives compensation under a guarantee transfers his/her claim to the state in connection with the compensation being paid.

13 § The National Housing Credit Guarantee Board is responsible for the monitoring and collection of the state's claim.

14 § The National Housing Credit Guarantee Board may apply for company reconstruction, terminate collection, accept composition or waive its claim due to a guarantee being honoured. The same applies when filing for bankruptcy.

15 § Claims referred to in the first section 6 § of the Ordinance on Management of State Claims (1993:1138) shall not apply to the National Housing Credit Guarantee Board.

Appeal

16 § Decisions taken by the National Housing Credit Guarantee Board under this ordinance may not be appealed.

By-laws

17 § The National Housing Credit Guarantee Board may announce the provisions required for the application of this ordinance.

As this ordinance enters into force the Ordinance (2004:105) on Governmental credit guarantees for loans for housing construction etc. and the Ordinance (2008:20) on Governmental credit guarantees for the acquisition of a home and the Ordinance (2007:624) on Governmental compensation guarantees for homes will be discontinued.

Appendix 3: Export Credit Guarantee Ordinance (2007:656) – with provisions for the Swedish Export Credits Guarantee Board

Prerequisites for the approval of export credit guarantees

1 § With the purpose of promoting Swedish exports of goods and services and the internationalisation and competitiveness of Swedish enterprise the Swedish Export Credits Guarantee Board may issue a state guarantee (export credit guarantee) for coverage of loss in connection with export business if it is of significant Swedish interest.

Swedish interest exists if the operations which are to be guaranteed are assessed as being of Swedish public interest or in any other way of use for the economic development in Sweden.

2 § Export credit guarantees may be approved for coverage of loss in operations with regard to exports or indirectly for exports carried out by Swedish companies, by companies abroad where there is significant Swedish interest or by companies buying goods and services from Sweden.

3 § Export credit guarantees shall be approved in accordance with Sweden's international obligations regarding state supported export funding.

4 § Export credit guarantees may be approved as a complement to the range of guarantees offered on the private market and generally not include such losses for which protection can be provided by the usual transport, fire or theft insurance or in any other similar way.

5 § Export credit guarantees may only be approved for transactions whose design is not against the law or other constitutions.

6 § Export credit guarantees may be approved for those who are known to be fiscally fit and likely to have the means of conducting the intended transaction and fulfil his/her obligations as a guarantee holder.

7 § Export credit guarantees may only be granted to such a loss with the cause being

1. that the buyer, borrower or other debtor has not fulfilled his/her obligations to the guarantee holder,
2. that an authority abroad has issued a moratorium or suddenly obstructed or delayed the export, import or transfer of payment or taken any other such measure,

3. that an authority abroad has decided on confiscation or other such measure,
4. war, civil unrest, natural disaster or other extraordinary event abroad,
5. any other event deemed essential within the framework of a reinsurance agreement, or
6. any other comparable event.

8 § Export credit guarantees may not be given for such losses under 7 § that the guarantee holder himself/herself has caused or participated in.

If the right to compensation due to an export credit guarantee that has been approved is transferred to someone as security for the financing of the export included in the export credit guarantee, the export credit guarantee may refer to each default payment by the buyer.

Premiums, etc.

9 § A premium is paid for the export credit guarantee which is adapted taking into account various affecting circumstances, such as payment conditions, conditions in the country of import and other types of risks as well as administration costs. The premiums are adapted to the objective that the overall operation shall be self-supporting over time. A fee may be charged for the pledge of an export credit guarantee.

The Swedish Export Credits Guarantee Board

10 § Cases under this ordinance will be reviewed by the Swedish Export Credits Guarantee Board. If a case is of major significance the Board may, in its opinion, pass the case over to the Government's review.

11 § The Swedish Export Credits Guarantee Board determines in which currency the export credit guarantee shall be granted.

12 § Decisions taken by the Swedish Export Credits Guarantee Board under this ordinance may not be appealed.

Appendix 4: Guarantee Ordinance (1997:1006) - with provisions for the Debt Office

Introductory provisions

1 § This ordinance contains provisions in connection with sections 14 and 15 §§ of the State Budget Act (1996:1059).

2 § The ordinance applies to guarantees issued by authorities under the Government. It does not apply, however, to the state guarantee for depositions with banks and certain securities companies or guarantees that are issued by the Swedish Export Credits Guarantee Board, the National Housing Credit Guarantee Board and the Swedish International Development Cooperation Agency (Sida). The ordinance does not apply to guarantees issued under the Government Guarantees to Banks and other Ordinance (2008:819). Ordinance (2008:821).

3 § Guarantees refers to credit guarantees and other similar obligations.

A credit guarantee may include capital amounts, interest and costs for credit.

Issuance and management

4 § The National Housing Credit Guarantee Board may issue guarantees whenever applicable by an ordinance or by a special decision by the Government.

5 § Guarantees shall be registered and managed by the Debt Office unless the Government has decided otherwise.

6 § The Debt Office may assign other agencies, who are operational within the area the support is intended, to issue and manage guarantees.

7 § Only the Debt Office may issue guarantees for obligations in a foreign currency.

Prerequisites for approval

8 § A guarantee may only be approved for those who are assessed as being fiscally fit and likely to have the ability to pay and means of conducting the operations the guarantee is intended to support.

The assessment shall take into account whether support may be given or be granted in other forms.

Risk assessment

9 § The Debt Office shall assess and evaluate the financial risks of guarantee obligations to the state and ensure the case receives a financially responsible review and management.

Design

10 § Only if there is a particular reason may a guarantee include the entire cost of the operations it supports.

11 § A guarantee shall be subject to the conditions required with respect to the risk of the state and need for control and monitoring.

Fees

12 § Unless the Government has decided otherwise the Debt Office shall charge a fee for its guarantee obligations and determine the method of payment.

Informational duty

13 § The credit institutes that have approved loans against a guarantee shall provide any information to the Debt Office with regard to the loans that the Office requires.

Concession of claims, etc.

14 § Only the Debt Office may apply for a company reconstruction, terminate collection, accept composition or waive the state's claim due to a guarantee being honoured. The same applies when filing for bankruptcy. More detailed provisions with regard to this are to be found in the Ordinance on Management of State Claims (1993:1138).

Appeal

15 § Decisions taken by the Debt Office or any other authority under this ordinance may not be appealed.

By-laws

16 § The Debt Office may announce the provisions required for the application of this ordinance.