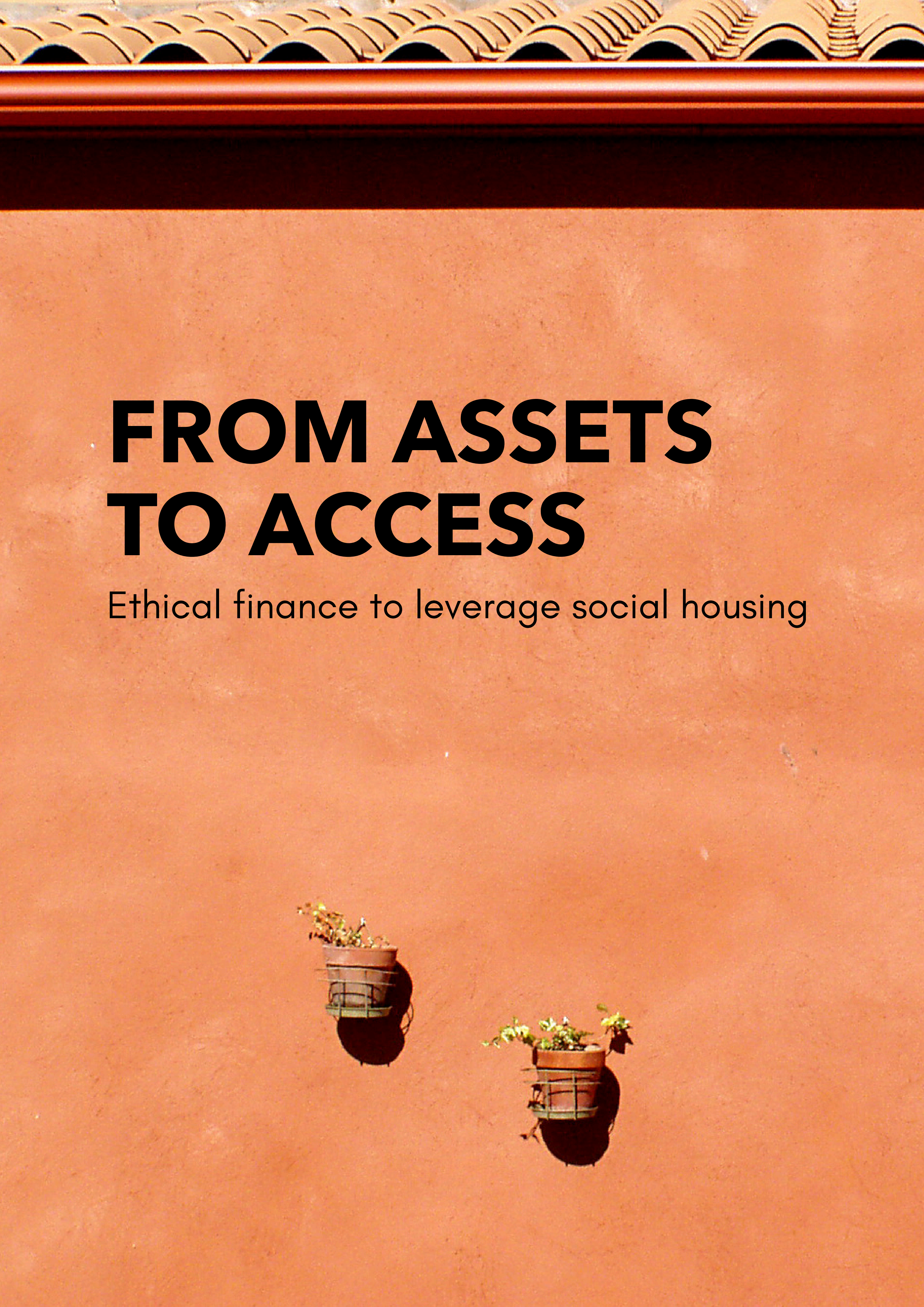
FROM ASSETS TO ACCESS

Ethical finance to leverage social housing



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Executive Summary

Social housing plays a crucial role in addressing homelessness and mitigating the negative impacts of housing financialisation[1] on society at large. Unlike purely market-driven affordable housing, social housing fosters the creation of a **community-based ecosystem** where a dwelling is not just a house but a space where fundamental human rights and essential services are guaranteed. This approach enhances social cohesion and long-term well-being, ensuring that housing is a foundation for dignity rather than a speculative asset.

However, financial and regulatory barriers hinder the success of social housing providers. To address this, FEBEA, the European Federation of Ethical and Alternative Banks and Financiers has identified the following challenges with related policy recommendations:

- **Social economy sensitisation**: There is a critical need to sensitise the banking sector to alternative models of financing. A more inclusive financial ecosystem would support the social economy and enhance the viability of social housing initiatives. Strengthening an **educational and policy framework** that encourages financial institutions to engage with and support the social economy is essential.
- **Access to funding**: Social housing providers operate within a funding vacuum. They often face a paradox where **loans are either unavailable or, when accessible, come with prohibitive conditions.** While affordable financing could significantly boost the sector, the lack of tailored, favourable financial products, combined with subsidies or guarantees, restricts expansion and sustainability. Policymakers should foster a financial landscape that recognises the value of social housing by ensuring accessible, affordable, and tailored funding mechanisms.
- **Disproportionate prudential framework**: Current EU banking regulations overly burden small ethical finance providers focussed on the real economy, while large profit-driven players navigate the system with more ease. Ensuring that regulatory frameworks do not **disproportionately burden smaller, high-impact social housing providers** compared to large profit-driven entities is fundamental to fostering sustainable, long-term investment in the sector at accessible costs.

These **recommendations in this paper are targeted towards EU policymakers,** particularly the Commissioner for Energy and Housing Dan Jørgensen and his Cabinet, the cross-DG Project Group on Affordable Housing in the European Commission, and the HOUS Special Committee in the European Parliament. The upcoming pan-European platform for affordable and sustainable housing managed by the European Investment Bank (EIB) must **prioritise small, community-rooted financiers** committed to social inclusion. The Social Climate Fund, as a social justice tool, should also prioritise fixed-cost, quality housing as a fundamental human right.

[1] United Nations, Financialisation of Housing

Market context

Decline in public spending on housing:

- Reduced investment in public housing since the 1990s[2].
- Reliance for housing construction on the private sector.

Inelastic supply and financialisation of housing

- Housing supply is by nature slow in responding to changes in demand.
- Financialisation turns housing, a human right, into an asset class, driving speculative investment and price inflation.
- Affordable housing increasingly serves middle-income groups rather than those most in need, creating a market failure by inefficiently allocating housing stock.

Affordable housing ≠ social housing

- Profit maximisation pushes investments towards low-cost rather than truly affordable housing for all.
- Public-private partnerships still prioritise financial viability over social impact.

Investment needs and homelessness

- Annual investment gap for affordable housing in the EU stands at EUR 57 billion[3].
- In 2024, 8.8% of the EU population was paying more than 40% of their disposable income on housing[4].
- In 2024, 1,287,000 people[5] have been reported as living experiencing homelessness, indicating that insufficient social housing exacerbates poverty cycles and deepens inequality.

[2] Greens/EFA, 2022. My home is an asset class.The financialisation of housing in Europe
[3] FEANTSA, 2024. Affordable for whom?
[4] Eurostat, 2024. Housing cost overburden
[5] FEANTSA, 2024. 9th overview of housing exclusion in Europe

Regulatory context

The housing crisis has reached such a critical stage that a European solution has been prompted. While **housing is not an EU competence,** calls for action have been made by many, including Mario Draghi and Enrico Letta in their high-level reports, suggesting some extent of political will to take steps into this direction. European Commission President Ursula von der Leyen has also highlighted the need to address the **lack of affordable housing**, as well as to amend state aid rules to create more favorable conditions for social housing, in her political guidelines for the 2024-2029 mandate[6].

Other significant steps include the addition of Housing to the portfolio of **Energy Commissioner Dan Jørgensen**. Among his responsibilities is even the creation of a **pan-European platform,** in partnership with the European Investment Bank (EIB), to attract private and public investment into affordable and sustainable housing[7].

Additionally, in January 2025, von der Leyen announced the establishment of 14 Commissioners' **Project Groups, including one on Affordable Housing[8].** Chaired by Dan Jørgensen, eight members of the College are responsible for advancing the European Affordable Housing Plan scheduled to come out **by the end of 2025.** Likewise, the European Parliament has appointed a Special Committee on Housing (HOUS)[9] to **develop recommendations for the Commission** on how to address the housing crisis.

These efforts represent an unprecedented focus on the housing crisis at the EU level, especially as it is not a European competence. This suggests a **strong political will to address the issue**, at least a priori. However, **social housing specifically seems to be absent from much of the discussion**, appearing only in the context of state aid rules. In fact, Jørgensen's mission letter and related documents primarily refer to "affordable and sustainable housing" in relation to investment needs. As ethical finance providers are leaders in supporting the social housing sector, while also facing significant challenges themselves, FEBEA will closely monitor developments in these new policy roundtables to advocate for an enabling environment for social housing.

Here is a brief overview of the EU programmes addressing the rise of housing unaffordability and homelessness:

[6] Ursula von der Leyen, 2024. Europe's choice. Political guidelines for the next European Commission
[7] European Commission, 2025. Dan Jørgensen's Mission and Responsibilities
[8] European Commission, 2025. Decision on the establishment of a Commissioners' Project Group on Affordable Housing
[9] Euractiv, 2025. These are the MEPs put forward for EP's two special committees

European Pillar of Social Rights	Principle 19 supports "the provision of affordable housing for the homeless".
Social Economy Action Plan (SEAP)	Highlights the importance of social economy actors in providing severely underfunded social and cooperative housing.
Council Recommendation on the Social Economy	Member States are called to support the social economy for the provision of quality social housing.
New European Bauhaus	Urges to effectively crowd in private investment through EU funding instruments, recognising InvestEU to be the most effective for housing.
Affordable Housing Initiative	Plan to ensure that social and affordable housing projects support the building renovation wave.
Social Housing Toolkit	Overview of all EU funding instruments to support social housing, drafted by the task force on housing in DG EMPL.
Social Climate Fund	Instrument covering negative social impacts of ETS2. It supports the affordability and accessibility of emission reduction technologies, including energy-efficient renovations.

**Note: click on each of the programs to be re-directed.*

Despite the growing focus on social housing, the European Federation of National Organisations Working with the Homeless (**FEANTSA**)[10] finds that **other EU policy areas often indirectly harm its development.** Conservative **fiscal rules** lead to housing budget cuts and **cohesion funds** can actually **deepen regional inequality** by allocating resources to actors who already have better administrative capacity. Competition policies, especially state aid rules, limit social housing expansion, though reforms are underway. FEBEA, with Social Economy Europe, advocates for loosening these rules to better leverage InvestEU[11], while the European Commission declared its intention to reform them.

Climate policies like the **Fit-for-55 renovation** wave have also **raised housing costs**, excluding lower income groups, while the 2023 reform of the European Long-Term Investment Fund (ELTIF) has shifted from limiting speculation to increasing flexibility for asset managers.

While the new Commission's initiatives to address the housing crisis are promising, real progress requires **fixing inefficiencies in existing policies.** With the current political push for simplification, regulatory optimisation can help minimise negative impacts on housing while advancing EU strategic goals.

[10] FEANTSA, 2024. Affordable for whom?
[11] Social Economy Europe, 2024. Financing social economy in Europe - The need for a stronger InvestEU program

Introduction

The **financialisation of housing, coupled with "Airbnbification"**[12], has driven housing prices to exorbitant levels, worsening affordability and inequality with it. High interest rates have discouraged new housing projects, while demand continues to rise, creating a storm of housing scarcity and inflated costs. Between 2010 and 2022, EU house prices **increased by 47% and rents by 18%,** with Estonia displaying the most extreme values of 192% and 210% respectively[13]. Inflation soared over the same period, averaging 28% and peaking at 9.2% in 2022 due to the Russian invasion of Ukraine and subsequent energy crisis, worsening the situation further.

Additionally, housing supply is highly inelastic due to the capital-intensive and immovable nature of construction, which is still **largely market-driven and dominated by investment funds,** effectively **financialising a human right**. Even within the affordable housing market, government funds are frequently directed towards projects that still prioritise returns over social inclusion. The perpetual treatment of housing as an asset class directly **undermines the internationally recognised right to adequate housing and contributes to rising homelessness rates**[14].

The United Nations has established housing as a **fundamental right** through various international conventions, emphasising that adequate housing encompasses more than just shelter but also includes service access, tenure security, and cultural appropriateness[15]

Thus the current crisis exposes a **market failure,** with housing stock concentrated in the hands of profit-maximising investment funds while many are left without a home. Discussions between FEBEA and Housing Europe, a strong player in housing advocacy at the EU level, suggest that addressing the current crisis requires three key elements: **committed financial partners, strong political will,** and **supportive legislation**. While ethical finance providers stand ready to fund inclusive social housing initiatives, they often lack sufficient liquidity to operate at the scale necessary for meaningful impact. Urgent action is needed to assess the current political predisposition and develop legislative frameworks that can effectively promote and expand social housing.

This paper will now examine three critical challenges - social economy legislation, funding barriers and prudential regulation - to identify the key obstacles preventing social housing from achieving meaningful impact on both society and the housing market.

[12] Eurostat, 2023. Housing in Europe
[13] Eurostat, 2023. Housing in Europe
[14] University of California Press, 2022. Homelessness is a housing problem
[15] United Nations, 1948. Universal Declaration of Human Rights

Enabling legislation for social housing

The terms "social" and "affordable" housing are often used interchangeably, though they are distinct concepts. Affordable housing refers to subsidised housing open to everyone, while social housing indicates accommodation that specifically caters the needs of disadvantaged groups and individuals. A 2020 report by the OECD[16] defines the two as follows:

Affordable housing	Social housing
Rental and owner-occupied dwellings that are made more affordable to households through a broad range of supply- and demand-side supports (including housing allowances or vouchers, subsidies or tax relief to first-time homeowners).	Residential rental accommodation provided at sub-market prices that is targeted and allocated according to specific rules, such as identified need or waiting list.

In the Decision on Services of General Economic Interest[17], the European Commission goes a step forward and refers to social housing as follows:

"social housing [is] for disadvantaged citizens or socially less advantaged groups, who due to solvency constraints are unable to obtain housing at market conditions"

Though this definition is deemed by Enrico Letta as **too restrictive** for public authorities to secure funding for housing[18] FEBEA emphasises the importance of maintaining the current focus, while **standardising the definition across member states to include all the different social housing structures,** but also ensuring that **funds are strictly allocated to projects that promote social inclusion**. Were this interpretation made broader, the risk of prioritising higher income groups in social housing allocation would arise, excluding once again those truly in need.

Although it is clear whose needs social housing is meant to serve, the legal status of social housing providers varies greatly across Member States. **Each country interprets the concept differently and operates under different legal frameworks**.

[16] OECD, 2020. Social housing: a key part of past and future housing policy
[17] European Commission, 2012. 2012/21/EU. Commission Decision on Services of General Economic Interest.
[18] Enrico Letta, 2024. Much more than a market. Speed, Security, Solidarity. Empowering the Single Market to deliver a sustainable future and prosperity for all EU citizens

The same challenges apply to cooperative housing models, restricting their recognition as effective alternatives. These models have significant potential to lower housing costs, promote social inclusion and ensure adequate housing provision. However, fragmented recognition across the EU limits their access to funding and undermines their legitimacy.

As a result, social housing cooperatives, in particular, face unattractive risk profiles due to their low financial returns, limited collateral and complex governance structures. This **discourages traditional financial institutions from extending credit to such projects**, leaving their societal benefits largely untapped.

This is the case for Sostre Civic, a prominent social housing cooperative based in Barcelona managing around 28 projects across Catalunya and with more than 1500 members.

They acknowledge that a crucial role in their success is played by the presence of a strong ethical finance culture in the region. In fact, esteemed FEBEA members Fiare Banca Etica and Coop57 are based in Barcelona and have a long-standing relationship with the cooperative. Based on their contact with other social housing providers around the EU, Sostre Civic noticed the operational difference made by a strong social economy and ethical finance culture in a region.

The cooperative housing model

A housing cooperative is based on the principle of collective ownership. The cooperative owns the entire building, as each member holds a share in it. This structure allows for rent control, as the cooperative collectively determines rental costs, while members contribute an initial investment (deposit) and make monthly payments (rent). Holding a share in the cooperative grants members the right to long-term use of a dwelling, ensuring stability and affordability. Since every unit is owned by the cooperative and not by the member that occupies it, the system prevents speculation and keeps housing accessible.

Recommendation I

A strong SEAP for local social economy ecosystems

FEBEA urges the European Commission to strengthen its **transition pathways for the Proximity and Social Economy in the SEAP** review planned for 2026, ensuring the development of robust ecosystems that attract social housing projects as key tools for a just transition. The Commission's Project Group on Affordable Housing could foster regional social economy ecosystems by **mediating between industry players and leveraging the expertise of credit institutions** specialised in social housing financing.

Recommendation II

Harmonised definition of social housing

At the member state level, the **effective implementation of the Council Recommendation** should be prioritised, with strong emphasis on establishing an enabling legal framework and increasing awareness among local authorities about this sector. This includes **harmonising the definition of social housing** between member states, distinguishing it from affordable housing, thereby providing more recognition and momentum to the social housing sector.

The funding vacuum

Echoing Housing Europe's criteria, the viability of Sostre Civic's projects also benefits from the presence of willing financiers within their ecosystem. However, the Catalan cooperative cannot **fully rely on ethical finance providers**, as their limited lending capacity prevents them from fully meeting its financing needs. This leaves Sostre Civic trapped in a **funding bottleneck: public banks offer financing they are not eligible for, mainstream banks consider them too risky and ethical banks can only provide limited support.** Experience gathered from FEBEA member Hefboom, an ethical credit cooperative based in Belgium, reveals that ethical financiers are keen on funding social housing projects but cannot offer sufficiently low borrowing costs. As the affordability of social housing relies on low interest rates and long-term repayment periods, **liquidity-constrained ethical financiers turn to impact capital to complement their funding mix.** However, as impact capital is more profit-driven, this **increases the overall cost of financing.**

In such cases, ethical finance providers typically **seek de-risking instruments** -often provided by European institutions- to enhance their liquidity position and better align with the funding requirements of social housing providers. For Hefboom, the Employment and Social Innovation (EaSI) guarantee programme, now ended, could have played a crucial role in supporting social and cooperative housing projects in Belgium. However, they were **only able to utilise 25% of the guarantee due to the disproportionate negotiating power of some of their competitors**. Additionally, despite applying for InvestEU support, the Belgian credit cooperative remains skeptical of the instrument's value based on their experience with EaSI, its predecessor. Hefboom also explores loan options from the EIB and the Council of Europe Development Bank (CEB) as another de-risking alternative, but **unfavourable lending costs are the biggest challenge.** As an alternative, they are considering securing funds through regional and local authorities.

Recommendation III

Larger InvestEU to guarantee social housing funding

FEBEA calls on the European Commission to simplify **access to InvestEU guarantees,** recognising their significant potential in enhancing liquidity for small credit providers. Additionally, the Commission is urged to ensure that the fund's expanded size, as announced in Omnibus II[19], is effectively allocated towards **affordable and social housing through the Social Investment and Skills Window**. To maintain a level playing field, the Commission should also guarantee that all market participants have equal access to negotiated terms, preventing smaller players from being penalised.

As reported evidence shows, **ethical finance providers are the most suitable private funders for social housing projects**, as their mission extends beyond profit to promoting financial inclusion. Unlike mainstream banks, which prioritise short-term profitability, ethical financiers **take a patient approach, recognising the stability and resilience of investment in social housing.** Accordingly, Hefboom ensures that their lending practices remain responsible by supporting housing providers who **value housing as a human right and serve the interest of those who are forced out of the market,** as opposed to real estate being treated as an asset class. The following box outlines the key parameters Hefboom considers when evaluating whether to extend credit to a social housing project.

[19] European Commission, 2025. Omnibus II

Hefboom's credit allocation criteria	
Address a social need	**Operate as a social enterprise**
Projects must contribute to solving a social issue, such as promoting social inclusion, guaranteeing the right to housing by ensuring affordability, or providing accessible services for people with special needs.	Organisations must cap shareholder profits at a maximum of 6%, with the remainder reinvested in the organisation - as social capital - to maximise social impact.

Furthermore, the alternative governance structures typical of ethical finance providers also enable them to strongly **connect with community-led housing projects.** A recent financing initiative by Crédal, another Belgian FEBEA member, for a **Community Land Trust** (**CLT**)[20] shows the distinct risk management approach of ethical financiers compared to the mainstream finance sector. While traditional banks rely on conventional criteria, ethical finance providers also assess non-financial indicators, namely the impact of social housing on social inclusion. By decoupling property prices from market forces and preventing speculation, CLTs help maintain housing affordability and counteract financialisation.

In support of their credit operations, Hefboom and fellow FEBEA members acknowledge the value of EIB and CEB funding, but find that the lending conditions often misalign with their needs. A fundamental incompatibility exists between ethical finance providers' preference for long-term, low-cost funding provision and the EIB and CEB's shorter-term, higher-interest funding model, which limits continuity.

The US's 2022 Emergency Capital Investment Program (ECIP)[21] is an emulation-worthy large-scale model where the Biden Administration allocated USD 8.57 billion to value-driven financial institutions rooted in local communities. The social housing sector would significantly benefit from a comparable European initiative, as conscious financial providers like Hefboom would secure sufficient liquidity to offer favourable loan terms. **Implementation at scale would substantially address the pressing challenge of declining housing affordability across the EU.**

[20] L'Post, 2025. Crédal accorde un crédit de 1,6 million € au secteur associatif du logement et de la santé
[21] U.S. Department of the Treasury, 2022. Emergency Capital Investment Program

Community Land Trust (CLT)[22]

A Community Land Trust is a housing ownership model where the land and the dwelling are owned separately. Typically, a foundation or non-profit owns the land, while individuals purchase and own the dwellings built on it. This structure allows for price control and prevents speculation, ensuring long-term affordability.

For example, in Community Land Trust Brussels, when a household buys a home, they do not retain the full price increase upon resale. Instead, they receive only 25% of the appreciation, while 6% is re-invested in the CLT, keeping house prices accessible for future buyers.

Recommendation IV

More EIB and public banks' capital investment

FEBEA urges the EIB and other supranational public funding bodies, such as the CEB, to **increase capital investment to smaller financial players.** This expansion could leverage the established financial multipliers of ethical finance providers who, while guided by strong values, face liquidity constraints. The planned **pan-European platform by the EIB** could serve as an effective vehicle for directing large-scale capital investment toward value-driven credit institutions, ensuring benefits flow to smaller players with stronger impact on social inclusion, rather than large profit-driven investment funds. Such increased investment would also facilitate the development of specialised financial instruments tailored to the diverse needs within the social economy sector. **Ethical financiers, with their deep understanding of the ecosystem, would be well-positioned to design and implement customised financial instruments** addressing the sector's varied requirements, thereby maximising the impact of public funds disbursed.

[22] Housing2030. Community Land Trust Brussels (CLTB)

The prudential framework

While evidence shows that ethical finance providers are willing contributors to the EU's objectives of tackling the housing crisis and eliminating homelessness, **existing banking and prudential regulation limits their lending capacity, thus restricting their reach and social impact.** After the 2008 global financial crisis, new regulations were introduced to prevent irresponsible lending and speculative behaviours undermining financial stability. These **prudential policies raised capital buffers for banks,** requiring them to retain more liquidity for each loan based on the assessed risk level. While intended to mitigate systemic risk, **these rules disproportionately impact smaller, value-driven institutions that operate with less resources.**

These one-size-fits-all rules amplify the challenges ethical banks face in supporting alternative housing models, which are perceived as high-risk. This creates a market inefficiency, **especially given that ethical banks have displayed more stability than mainstream participants during crises.** In fact, during economic downturns, ECB-defined "significant" banks incur greater losses than ethical banks, whose profitability ratios have remained relatively stable during recent financial shocks[23].

While financial stability is crucial and EU prudential regulation was long overdue, **major crises are rarely caused by smaller, non-complex players**. Therefore, adjusting capital requirements to be more accommodating would greatly benefit these bureaucracy-crushed institutions, which statistically display stronger financial resilience.

Recommendation V

Proportional capital requirements for banks

Although proportionality is a well-established principle in European banking supervision, FEBEA advocates for applying **differential capital requirements based on entity size.** Building upon the ECB's existing classification of significant institutions (SIs) and less significant institutions (LSIs), this framework would enable smaller players to reach the desired impact and, as a result, allow the social housing ecosystem to thrive.

[23] Fondazione Finanza Etica & FEBEA, 2023. 6th Report of Ethical and Value-based Finance in Europe

Recommendation VI

Supporting factors in capital requirements for banks

A step further in differentiated capital requirements would be to introduce **green or social-supporting factors as well as brown-penalising ones.** This approach would reward value-based institutions whose positive social and environmental impact is unfairly limited by prudential regulation disproportionately affecting them.

Furthermore, the term "affordable housing" is too often used as a buzzword without ensuring real affordability. For instance, the Vicinity Fund in Belgium, despite operating as a B-Corp and receiving public funding, does not deliver genuinely affordable housing. **The urgent demand for new housing means that merely building more units is often perceived as sufficiently "social" by policymakers,** making such projects attractive to public and institutional investors - even where affordability is not a priority. **This results in socialwashing and an inefficient use of public funds,** inefficiently allocated to profit-maximising financial players.

As recommended in a 2024 FEBEA policy paper, developed in coalition with partner organisations, the establishment of a **Social Investment Framework[24]** would be beneficial. Such a framework would establish clear criteria for classifying economic activities aimed at generating social impact, following a similar approach to the EU Taxonomy for sustainable activities.

Recommendation VII

Development of a Social Investment Framework

FEBEA calls on the European Commission to develop a Social Investment Framework that clearly identifies **economic activities contributing to social objectives, thereby preventing socialwashing practices.** Within the housing sector specifically, such a framework would serve to channel both public and private investment towards initiatives that genuinely advance social inclusion, rather than towards projects merely labeled as affordable housing that primarily aim at maximising financial returns.

[24] FEBEA et al., 2024. Europe needs to mobilise capital for Social Investments

Conclusion

The housing crisis has reached a critical point in the EU, with rising homelessness and increasing numbers of people unable to afford rent or hold tenure. While legislative efforts towards the provision of affordable housing signal political will to tackle the issue, the key question remains: **who is it affordable for?** Too often, financial viability takes precedence over social impact, even when public money is involved in the funding mix.

If policymakers are serious about addressing the crisis, public funding must come with strong social safeguards to ensure it fosters inclusion rather than profit driven development. Social housing stands out as the most effective solution, as it inherently keeps prices stable, prevents speculation on a fundamental human right, and strengthens the social fabric by creating communities.

As a key funder of social housing, the ethical finance sector holds significant untapped potential, which could be unlocked with greater European financial support. FEBEA urges the **European Commission and the EIB** not to miss this opportunity to drive systemic change.

FEBEA - the European Federation of Ethical and Alternative Banks and Financiers - is a non-profit association based in Brussels. It gathers 33 financial institutions whose aim is to finance social and solidarity economy (SSE) and projects with social, environmental and cultural value in 17 European countries, serving more than 700,000 people.

Its objective is to support the exchange of experiences and promote cooperation between social economy and social finance practitioners.

Each FEBEA member is integrated in the SSE Sector in its country, focusing on mobilising savings and equity from responsible citizens and using these funds to finance sustainable development and local communities. FEBEA is member of GSEF, the European Commission's expert Group on Social Economy and Social Entrepreneurship and of Social Economy Europe, the main European network of social economy practitioners.

FEBEA members finance:

- The creation of jobs, social employment in particular;
- Social enterprises and social economy;
- The non-profit sector and participatory economics;
- New forms of social entrepreneurship;
- People or groups of people who are victims of social or professional exclusion or are unbanked;
- Sustainable development: renewable sources of energy, organic farming, biodiversity, etc.;
- International solidarity and fair trade.

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