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THE GERMAN SAVING-FOR-BUILDING SYSTEM—A PATTERN FOR THE
ENCOURAGEMENT OF PRIVATE HOME FINANCING

The German Saving-for-Building System—A Pattern for the
Encouragement of Private Home Financing ^{1/}

Introduction

1. I would like to begin my lecture by thanking the organizers of this Seminar for providing me with the opportunity of speaking to you, as housing experts on this continent, about the German saving-for-building system as an instrument of private home financing. The German system is only one variation of the world-wide saving-for-building concept. I am therefore speaking to you here on behalf of the saving-for-building movement, which is quite aptly called "an index of human happiness."

2. I need say nothing about the general framework of my theme, which is the same for all lectures. The object of this Seminar is to discuss and clarify problems which arise in providing dwellings commensurate with the size and needs of the families concerned. A way of increasing the volume of capital invested in housing in Africa must be found and the social effects of spreading as widely as possible the formation of private capital must be related to the socio-political aim of gradually reducing the housing shortage.

3. The formula which I would like to elucidate is called in simple terms "reciprocity." This formula can have and has in fact, due to its cohesive power, had the greatest influence on human society. It has enabled human society to overcome war, need, hunger and distress and is therefore splendidly suited as a powerful lever for social and economic advance in developing countries.

^{1/} prepared by Dr. Werner Lehmann, Bonn

4. The topic of my lecture is "The German Saving-for-Building System—A Pattern for the Encouragement of Private Home Financing." I am speaking in a country, in a city which has an institution dealing with saving-for-building. I refer to the Imperial Savings and Loan Association. This Association is organized on the Anglo-Saxon model and, is, I would like to add, very efficient. In advocating the German collective saving-for-building system in this city, in this country and on this continent, I depart from the conviction that the coexistence of competitive systems promotes saving-for-building. Each of these two systems has of course its special advantages and attractions and also its disadvantages and handicaps. I have been associated with the collective saving-for-building system for 35 years and feel that this system has a special function to fulfill, especially in developing countries. During the early years of the English building societies, namely, from about 1775 to 1836, the period of the Industrial Revolution, Great Britain had an economic and social structure similar to that which is now typical for developing countries, i.e., low per capita income, unemployment and underemployment, rural exodus and housing shortage. If the collective system of saving-for-building could be developed precisely during this period—the system subsequently spread throughout the whole of the Anglo-Saxon world and did not experience a transformation into a capital market institution until towards the end of the nineteenth century and the advent of the modern industrial society, this is surely an indication that the collective saving-for-building system is still adequate today where similar conditions prevail. It is not national pride, therefore, but rather my knowledge of the effective factors underlying the collective system of saving-for-building operated on a contractual basis that in a fascinating way have been adapted to the conditions and needs of developing countries which has prompted me to deal today with this system, one that can help young countries to increase housing supply, improve the standard of housing, and promote the desire to acquire property.

Origin

5. The building society originated in England. The first building society was founded in 1775 in Birmingham. Out of this society a saving-for-building movement developed which spread, over a period of 150 years, throughout the world. Building societies first appeared in Germany in 1924, long after the short-lived attempts of Pastor Bodelschwing in the eighteen eighties. Today there are 15 private and 14 public institutions of this kind in the Federal Republic of Germany. They differ from the modern Anglo-Saxon type of building society in that they are not capital market institutions; they do not effect capital transactions between depositors and outside investors. Instead, under a system of contractual saving for a specific object, they collect savings from prospective borrowers and then loan it out to these borrowers according to a merit principle. (See No. 18.) However, the German building societies have one important feature in common with the building societies in Commonwealth countries and the savings and loan associations in the USA, namely, the almost exclusive restriction of their transactions to the financing of private home construction and other housing projects by means of long-term redemption loans.

6. The fifteen private building societies in west Germany (13 were founded between 1924 and 1931 and the other two were established after the currency reform) are distributed regionally over the whole of the federal area. They work on a supraregional basis, reaching all interested parties and savers even in the remotest places with their branches and widely distributed field agencies. They consist of 10 shareholding companies, 3 limited companies and 2 co-operative societies. The volume of business of these institutions, taken on the basis of their respective balance sheet totals for the year 1967, is in the ratio of 19:23:1. The private building societies vary greatly in size, ranging between DM 69.3 million and DM 7 milliard in terms of total assets. The fifteen private building societies had a total office staff of about 9,000 at the

end of 1967. Field personnel, including both full-time and part-time employees (mainly sales representatives), totalled about twice this number.

7. The thirteen public building societies¹⁾ (7 were founded after World War II, one in 1928, and 5 in 1929) are mostly limited to one federal state or region and are therefore relatively evenly distributed over the federal area (including West Berlin). The public building societies advertise mainly through the savings organizations but also maintain their own field agencies. Three of the institutions are autonomous public corporations and the remaining ten are departments within other organizations, mainly central giro institutions. The public building societies are not so differentiated in size as the private building societies, ranging between DM 153.9 million and DM 3.5 milliard in terms of total assets for the year 1967.

Functions

6. The economic function of the building societies has undergone a remarkable change during the course of its development. The building societies originally sought to provide the saver with the total loan required for his building project (so-called total financing principle). This function was the natural consequence of the post-inflationary period characterized by a weak capital market and extremely high credit costs for the building societies as self-aid organizations. Towards the end of the twenties, however, the practice of first mortgages could be reintroduced. An adequate supply of first mortgages at acceptable terms gradually made it less necessary for the building societies to provide saving-for-building loans as an instrument of self-aid for first mortgages. The building societies had moreover even more reason to limit themselves gradually to less ambitious

¹⁾ Fries: Öffentliche Bausparkassen, Munich 1969, passim

transactions; the self-aid aim set in the initial stages overexerted the saving power of the saver, so that the waiting periods (see No. 18) until the allotment of credit became increasingly difficult "to sell." The building societies gradually moved over to the administration of second mortgages which were taken up particularly by the public societies and finally enforced by an ordinance on the reorganization of saving-for-building issued by the Minister of Economics of the Reich on 11 April 1938. The new credit formula (the so-called partial financing principle) enabled the building societies to take an active part in restoring the housing stock after the war, whereby the ever-widening gap between the scope of the first mortgage (trust investment rating) and the increasing costs of production guaranteed them a far greater "Lebensraum"²⁾ than was the case before the war. In this way a satisfactory, but not very strict, division of labour has existed for 30 years between building societies, savings banks, mortgage banks and life insurance companies,³⁾ guaranteeing the total financing of housing construction on a long-term basis.

9. The building societies grant loans primarily for the construction or acquisition of owner-occupied homes and flats and for their modernization, improvement or disencumbrance. Building credits are also granted towards co-financing the construction of flats. Finally, the building societies extend loans to territorial administrative bodies and their affiliated institutions for the financing of land development measures and facilities related to housing.

2) Before World War II those who were against reform feared that the building societies would be left with only "dwarf mortgages."
cf. Lehmann: "Wegbereiter der Bausparkassen" in Beiträge zur Theorie und Praxis des Wohnungsbaues, Bonn 1959, page 2214

3) cf. Lehmann: Zukunftsperspektiven im Bausparwesen in Privates Bausparen 1967, Bonn 1967, page 89

The combination of purposes varies from society to society and, to a certain extent, even within the two groups of building societies. The average percentage of monies paid out for the construction of new private homes and privately-owned apartments is generally estimated to be 65% of the sum of monies paid out by building societies. Another 15% is allocated to the repair and modernization of old buildings. The remaining 20% is allocated to the purchase of houses, disencumbrance, advances to local authorities as well as savings deposits withdrawn by savers who have not concluded a savings agreement for building purposes. In private building societies, 4 to 5% of this remaining 20% is accounted for by advances to local authorities.

10. In addition to the above-mentioned economic function, the building societies also have social functions relating to the acquisition of property and provision for the family. About 85% of the monies paid out by building societies for housing construction purposes serve to finance ownership measures. The fact that these ownership measures lead to a widely distributed capital formation in accordance with the social policy of the Federal Government is evident when we consider that of the 179,882 new borrowers from the private building societies in 1967, 119,531, or 66%, were wage and salary earners. Savers earning independently in the fields of trade, handicrafts and industry and members of the freelance professions, all of whom must provide for themselves and their families in later life (they account for about 25% of the savers) lay greater emphasis on the value of saving-for-building as provision for the future than as a method of capital formation. In conjunction with a term life insurance scheme, the value of a savings agreement as provision for the future can in fact be compared with a capital-sum life insurance scheme. Although a building-saving contract is intended to cover concrete family needs and housing needs, it is in no way inferior as a form of provision for the future to a life

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insurance policy aimed at covering general needs. For this reason the Federal Republic of Germany has for 34 years now maintained a common ceiling for tax privileges on life insurance and saving-for-building within which the expenditure for both types of provision for the future are cumulative and substituable (see 23).

Types of Transaction

11. Saving-for-building business has not been legally defined. The following definition of private building societies as a type of enterprise is contained in Section 112, paragraph 1 of the Law on the Supervision of Private Insurance Companies and Building Societies of 6 June 1931:

"Private enterprises in which capital is accumulated in the form of deposits from several savers and made available to these depositors in the form of loans for the purpose of acquiring or improving dwellings or settlements or for settling obligations incurred thereby (building societies) are subject to supervision."

This description, which in practice also applies to the transactions of public building societies, is supplemented by Section 1, paragraph 1 of the Draft Law on Building Societies as follows:

"Building societies are credit institutions which accept deposits from building-savers and from the aggregate of monies deposited grant building-saving loans to their depositors (building-for-saving business) for housing measures or for the settling of obligations incurred thereby."

This defines in essence the main purpose of the building societies' ownership transactions in accordance with Section 2, paragraph 3—in connection with paragraph 1, No. 6—of the Law on the Credit System of 10 July 1961. The activities of the building societies are centered on the transaction of savings agreements for building purposes, the aims of which is to finance housing projects on the basis of a consecutive exchange between savings deposited by the building-savers and building-saving loans granted.

In addition to the contractual saving business, i.e., that of granting saving-for-building loans, the building societies grant loans as intermediate finance to building-savers who have qualified for admission to allotment but who have not yet been allotted, or who, having been allotted, cannot immediately receive their building-saving loan because of non-compliance with some formality such as the completion of the property to be taken as security (see 18). These intermediate finance loans—which are secured by the renouncement on the part of the saver of his savings agreement claims and by a mortgage lien on his real estate property—are, to the extent that they exceed the credit balance of a saver's saving account, simply the advance disbursement of the saving-for-building loan pending allotment⁴⁾. The advance disbursement transactions of the building societies are so economically interrelated to their saving-for-building transactions that both types of transaction form one functional unit.

Included among the building societies' ownership transactions are the raising of first mortgages on the capital market for the purpose of financing the building project of a saver in toto, the taking out of life insurance policies on the borrowers, and the raising of blanket loans which are either added to the allotment funds or used to refinance intermediate finance loans.

12. Among the activities which according to the Law on the Credit System (KWG) do not belong to the ownership transactions of the building societies are that of accepting untied saving deposits—most of the private building societies are permitted to do this—and that of issuing bonds (Section 795 of the Civil Code). The issuance of bonds has not yet been instituted.

4) cf. Lehmann: "Der Zwischenkredit als natürliches Element des Bauspargeschäftes" in Privates Bausparwesen 1966, page 62 ff.

Building societies also offer a number of services such as plot inspection, building advice, etc.⁵⁾, all of which form part of the overall service provided by the societies to the building-savers.

A relatively recent type of loan transaction of the building societies is the granting of immediate loans on the security of subordinate mortgages without insistence on prior qualification for allotment. This type of transaction has been accepted in particular by many of the public building societies, which regard the granting of such loans as a necessary addition to the collective saving-for-building system services⁶⁾.

Immediate loans are usually provided by private building societies only as loans connected with and supplementing saving-for-building loans. They serve to guarantee total financing.

Terms

13. In principle, the terms of the building societies governing savings agreements for building purposes are influenced neither by capital market interest rates nor by capital market trends. Savings deposits earn interest at the rate of 2.5 to 3% per annum (see 12). The interest charge for building-saving loans is 4.5 or 5% per annum. Upon conclusion of a savings agreement, a fee of about 1 to 1.5% of the target amount is charged to cover commission and other acquisition costs; a further fee of 2 to 3% of the loan is charged at the time of allotment. If these fees and also the amount of income from interest lost by the saver due to the low interest earnings on savings deposits for building purposes as compared with the interest paid on normal saving deposits are expressed in terms of the running time of the loan, then the building-saving loan has an actual cost which even at the lowest rate of interest on deposits compares favourably with the actual costs of capital market first mortgages. The interest costs for second

5) cf. Boesler: "Ausservertragliche Dienstleistungen der deutschen Bausparkassen" in Privates Bausparwesen 1966, page 54 ff.

6) cf. Fries loc. cit. page 22

mortgages should normally run between 0.5 and 1% higher than those for first mortgages, due to the smaller sums involved and the increased risk of cancellation. This was also the case before World War I, when there were no building societies.

The building-saving loan is granted in the form of a redemption loan. The annuity amounts to about 12%, so that the term for repayment is from ten to eleven years, depending on the rate of interest set. The rate of annual repayment reflects the fact that the system of contractual saving of the building societies calls for rapid capital turnover

14. The rates of interest charged by the building societies for intermediate finance loans vary from institution to institution but are always considerably lower than that charged by the banks. The present rate of interest charged by the building societies is between 5 and 6% per annum.

An intermediate finance loan matures on the date of allotment. It usually runs between one and two years.

15. Immediate loans are refinanced by outside capital and are therefore offered at capital market interest rates as redemption loans with a maturity of between 15 and 20 years.

Loan Guarantees

16. A debt certificate is issued to cover the claim of the building society on the building-saving loan. The loan claim is secured by registering a second or first mortgage or land charge on the real estate property of the building-saver. Prior charges must not exceed 40% of the value of the property for lending purposes. Prior charges and loan taken together must not exceed 80% of the value of the property for lending purposes. This value is determined by the building society on the basis of the long-term income value of the property and the justifiable building and land costs.

The quality of the mortgage security for second or first building-saving loan claims is ensured by regulations contained in the law of property and the law of foreclosure of the Federal Republic of Germany, the basis of which is the official land register.

Saving-for-building agreement

17. The saving-for-building agreement is a business transaction between the building society and the building-saver, namely, a preliminary loan agreement committing the saver to regular or lump-sum saving and the society to a loan guarantee. The saving-for-building agreement is concluded on the basis of fixed agreement conditions. Authorized standard forms have been issued by the Association of Private Building Societies and the competent body for the public building societies⁷⁾.

The saving-for-building agreement is based on a payment schedule devised in accordance with principles of commercial arithmetic. A number of building societies offer various payment schedules.

The basis for fixing the obligations of both parties to the agreement is the target amount covered by the agreement. Monthly saving deposits range between 3.75 and 5% of the target amount, depending on the payment schedule selected. The building-saving loan is set at that amount which constitutes the difference between the balance on savings account at the time of allotment and the target amount of the agreement. In general, monthly repayments (principal plus interest) amount to from 5 to 6.5% of the target amount.

18. The main criterion for the term for repayment of a building-saving loan is the date of allotment. On this date the building-saver is released from his obligation to save and the building society is obligated to allot the building-saving loan. Admission to allotment is dependent on several factors. First of all, the minimum saving period, usually set at 16

The coefficients of the valuation figures of the individual agreements are the saving deposits and their lay days. The saver may raise the valuation figures of his agreement by saving over and above the amount specified, thus bringing forward the date of allotment. The date of allotment is thus determined by both the deposits of the individual building-saver and the total deposits of all the savers. The duration of the saving period, which is often referred to as the waiting period, is therefore not fixed at the time of concluding the agreement. Intermediate financing has here the complementary function of enabling the saver to move systematically forward with the planning of his building project.

Capital transactions, balance sheet data

19. The building societies in the Federal Republic of Germany and West Berlin have for years ranked first among capital collecting organizations engaged in financing housing. In 1967 the building societies paid out DM 7.5 milliard for housing; this constituted 44.5% (43.3% in 1966) of all transactions carried out by all the financing institutions. The number of new dwellings which were co-financed by building societies in 1967 amounted to 239,619 (225,760 units in 1966). Hence 41.9% of the dwellings constructed in the Federal Republic of Germany and West Berlin in 1967 were constructed with the help of the building societies.

These figures showing the degree to which the building societies have assisted in financing housing construction are all the more remarkable when we consider that other housing tasks such renovation, purchase and disencumbrance also play a considerable role in the building societies' business.

20. The number of agreements concluded by building societies by the end of 1967 amounted to 6.9 million, i.e., over DM 133.2 milliard in terms of target amounts. In 1967, the building societies collected DM 11.3 milliard in the form of saving deposits and repayments of principal plus interest.

21. The balance sheet totals of the building societies stood at DM 32.2 milliard at the end of 1967. On the assets side the largest share of the balance was accounted for by building loan claims, which amounted to DM 22.1 milliard (68.6%)—DM 15.8 milliard (48.8%) was accounted for by building-saving loans, DM 5.5 milliard (17.2%) by intermediate finance loans and 0.8 milliard (2.6%) by immediate loans. Liquid assets, mainly credit balances with credit institutions, accounted for DM 8.1 milliard (25.1%).

On the liabilities side saving deposits predominated, amounting to DM 28.5 milliard (88.5%). Other deposits and external capital obligations accounted for DM 1.6 milliard (5%), internal capital for DM 0.8 milliard (2.6%). The rate of increase in balance sheet totals of the building societies in 1967 taken as aggregate was 10.8% (12.24% in 1966).

Concessions

22. Building societies and building-savers enjoy various concessions from the state. The building societies enjoy tax concessions in connection with their long-term property loans and loans to local authorities, as laid down in Section 19 of the Law on the Credit System for the various groups of credit institutions. The privileged tax rate is fixed by the Third Tax Amendment Law of 22 December 1967 at 36.5% for private building societies having the form of a joint stock company and at 35% for housing cooperatives and for public building societies. Public building societies have enjoyed tax concessions since 1931, private building societies since 1951 (loans on real estate) and 1965 (loans to local authorities).

23. Since 1934 contributions to building societies for the purpose of obtaining a building-saving loan as well as life insurance premiums up to a set maximum amount can be deducted by tax-payers from their income under Section 10 of the Income Tax Law. This concession, which is primarily intended to make it easier for members of the industrial

middle class and those in professional occupations to acquire their own home as provision for the future for themselves and their families, is an integral part of saving-for-building and has withstood all legal attempts to effect its abolishment.

The continued granting of tax concessions for saving-for-building by the state is primarily dependent on whether the building societies will continue to be in a position to make a contribution to the solution of the main problem involved in housing financing, namely, that of financing second mortgages.

24. Instead of claiming a tax concession, the building-saver may claim housing premiums according to the Housing Premium Law of 17 March 1952 within a scale fixed according to his family situation at from 25 to 35% of his saving deposit payments up to a maximum of DM 400 per annum. This concession, which applies primarily to the low income group, was taken advantage of by more than 3.2 million savers in 1967, who together received a total of DM 1 milliard in housing premiums.

25. According to the Second Law on the Promotion of Capital Formation on the Part of the Employee of 1 July 1965 as well as the first law of 12 July 1961, contributions by the employer to a savings-for-building agreement of an employee are considered to be a form of capital formation and are therefore tax-free up to DM 312 per annum. This concession is being taken advantage of to an increasing extent and will probably become even more attractive as a result of the amendment now in preparation.

Supervision

26. Building societies have not yet become subject to any form of uniform supervision. Whereas private societies are subject subject to technical supervision by the Federal Supervisory Office for Insurance Companies and Building Societies in accordance with the Insurance Supervision Law (see 11), public building societies are subject to supervision by the

federal states. In addition, both groups are supervised in accordance with Section 2, Paragraph 3 of the KWG by the Federal Supervisory Office for the Credit System insofar as they carry out banking transactions which are not part of their ownership transactions (e.g., untied deposits, immediate loans).

In 1964 the Federal Government submitted to Parliament the draft of a Building Societies Law under which all transactions of the building societies, including their ownership transactions, would be subject to bank supervision. It also called for a uniform supervision of both private and public building societies. The Federal Diet was, however, not able to pass the draft before the end of the fourth legislative period. The draft has since been revised but has not yet been reintroduced by the Federal Government, it being felt that the concept of a special law underlying the draft should first be ~~restudied~~ ~~and~~ that the way in which saving-for-building has developed since the recent recession should be taken into account. The controversy on the question of supervision in the saving-for-building business will therefore continue for several years to come.

Outlook

27. The economic and social functions of the building societies, which led to a considerable increase in the demand for saving-for-building loans during the reconstruction period after World War II, guarantee future widespread interest in the building societies⁸⁾. The probable decline in the volume of housing is likely to affect only negligibly the financial aspect of building societies, which relates primarily to ownership measures, and should moreover be well compensated by an increase in the demand for loans for the modernization of old buildings. The building societies can therefore assume that they will not

8) See Lehmann: "Zukunftsperspektiven im Bausparwesen" in *Privater Bausparwesen* 1967, page 85 ff.

only be able to maintain their present financial capacity but will increase it even further by means of growth rates compatible with the general economic expansion. This is, however, based on the assumption that the social policy of the Federal Republic of Germany, which has shown a great deal of consideration for building-saving as an element of capital formation and provision for the future, does not experience a reversal in trend.

Practical application for developing countries

28. I have already explained my reason for describing in such detail the collective saving-for-building system of German origin. I am of the opinion that the German system, in competition with other saving-for-building systems, can make a major contribution to the improvement of housing in developing countries. As capital for loans is scarce, the contractual claim to a loan is a feature which is likely to increase interest in collective saving-for-building. At the same time it encourages the saver to save as much as he can in order to qualify for allotment as soon as possible.

Although the collective system of saving-for-building is thus a suitable instrument of development, its ability to function as such is dependent upon prerequisites which must be guaranteed by the state:

29. The basic prerequisite for continuous saving-for-building—both in developing and in industrialized countries—is a stable currency. A gradual decline in the purchasing power of a currency undermines saving efforts and will in the long run discourage savers, especially those with a small saving capacity whose saving programmes therefore stretch out over a particularly long period. By means of an efficient policy of financial stability, the state must ensure that the value of the savers' savings remains constant.

30. In addition to this basic prerequisite, which is necessary not only for saving-for-building but for every form of financial saving, the collective saving-for-building system requires a certain degree of state support to ensure

its liquidity. In the case of collective re-financing, i.e., when the building society grants loans only on the basis of savings deposits paid in by the building-saver, the allotment liquidity meets the expectations of the savers only during the initial stages, i.e., as the number of building-savers increases. As soon as a decline sets in in the rate of growth, the waiting periods before admission to allotment increase in number and tend to grow longer. A balanced system of collective saving-for-building is dependent upon a broad basis of refinancing in order to counteract this fundamental strain on liquidity. In addition to this, consideration must be given not only to the inpayment of savings by depositors not wishing to contract a building-saving loan but also to the issue of bonds and the mobilization of mortgage loan funds. The use of such non-collective methods of re-financing will only be possible for building societies in developing countries in exceptional cases, e.g., in Greece and Turkey, where saving-for-building is carried out by departments of mortgage banks. The building societies are therefore dependent in most developing countries on the services of a central bank as a centre for the settlement of payments and source of re-financing. In the interest of stimulating saving activities, reducing the housing need and having widely distributed individually-owned property, these countries should therefore take an interest in promoting the establishment of a central bank by holding participations in this bank and by granting long-term loans which revolve from the central bank to the building societies. In so doing they will be able at the same time to control effectively the volume of business and the business policy of the building societies.

31. The third prerequisite for a permanent functioning of the collective system of saving-for-building in developing countries is effective state supervision. Characteristic of collective saving-for-building—at least in its original form—is an aleatory factor expressed in the dependence of the date of allotment, i.e., maturity of building society transactions, on the development of

building society business. This relativity of the contractual obligations of the building societies, combined with the lack of transparency of the terms and conditions applied in the saving-for-building system, whose differentiated financial and mathematical factors underlying the various schemes of collective saving-for-building are incomprehensible for the layman, can be easily misused by speculation aimed at attracting building savers and giving them false hopes. In developing countries where saving-for-building is not carried out as in Turkey and Greece by para-state institutions or banking institutions of long standing but rather by profit-making joint-stock companies founded ad hoc, there must be strict state supervision responsible for ensuring that the allotment requirements are realistically defined in the saving-for-building conditions. In other words, the so-called minimum savings and the minimum saving period must not be adjusted to the short-term possibilities of the initial stages but must rather be so estimated that they are and remain honest and effective requirements of a quickest possible allotment.

A collective system of saving-for-building with such state support will soon find acclamation in developing countries among population groups who have a desire to own property and a certain ability to save and may contribute to increasing the volume of private investment and to gradually offsetting the social deficit.

32. The aim of saving-for-building is to own one's own home, not only for its economic value but also for its immaterial values, the idea of the privately-owned home as a basis to freedom being the least important. Just as the variety of values attached to the acquisition of a privately-owned home reflects the various aims of the saver, so the decision to save is the result of both rational and irrational impulses. The rational aspects of the motivation to save are determined by a large number of factors arising from the economic situation of the saver within his national environment and making saving-for-building appear "bearable" and the privately-owned home advantageous to him. There are,

in turn, a large number of factors, including social prestige, which determine the irrational aspects and which vary considerably from country to country.

Hence the chances of developing saving-for-building in both industrialized and developing countries are always dependent on whether it is possible to adapt the various factors of saving-for-building—rates of interest, fees, annuities, total and partial financing, etc.—to national conditions. Nothing would be less suitable for export to developing countries than a saving-for-building formula which may be valid in the country of origin but completely unsuitable under other national conditions. Advice to developing countries can therefore be given only on the basis of a careful study of such conditions.

In summarizing, I would say that saving-for-building in developing countries can be successful only on the basis of systems whose elements have been adapted to the economic, social and psychological conditions prevailing in the country concerned.

Original: German, TS.