


 Financing & Funding

 Construction

 Technology

 Law & Legislation

 Communication

 Process support

// BfW – Bank für Wohnungswirtschaft – HOA Loan Germany

Short description

BfW - Bank für Wohnungswirtschaft AG focuses on financing (complex) refurbishment measures in homeowner associations (HOA) throughout Germany. For these measures, the bank offers the product “WEG-Kredit” (WEG = Wohnungseigentümergeinschaft = homeowners’ association = HOA). The HOA loan is available for small homeowners’ associations with approx. 10 units as well as large HOA with more than 200 units. The maximum loan amount per unit is approx. 35,000 EUR.

Year // Duration

The HOA Loan as such has existed since 2007. With the ruling of the Federal Court of Justice (BGH) in September 2015, in which the loanability of HOA was once again specified and confirmed, the HOA Loan has experienced a new upswing (BGH ruling of 25.9.2015, V ZR 244/14).

Objective

Financing the increase in energy efficiency of the housing stock.

Initial situation

The financing of measures to increase the energy efficiency of their building is a much-discussed and critical topic for most HOA. Not infrequently, it becomes a point of contention that hinders measures altogether. A separate, targeted offer that takes into account the specific conditions and needs of HOA

therefore sets a decisive course. The impetus to take out a HOA Loan usually comes from the building management companies, although there is also demand from owners. The basis for the loan is a resolution on the measure and the loan at a homeowners’ meeting. The resolutions should have the force of law.

Implementation & measures

As a rule, management companies or advisory boards of HOA obtain a loan offer in advance of the owners’ meeting if the cost framework for the measure is foreseeable, and a HOA Loan is a possible financing instrument. Only a few documents and data are needed to prepare the offer. After examination, the HOA receives a concrete loan offer through the management company with a term, nominal and effective interest rate and repayment schedule suitable for the planned measure.

The HOA Loan has the following features:

- ✓ Borrower is the HOA
- ✓ No entry of collateral in the land register of individual owners
- ✓ No SCHUFA information in advance and no SCHUFA entry when the loan is granted
- ✓ Repayment plan dependent on measures
- ✓ Fixed interest rate for up to ten years (in justified exceptions even longer)
- ✓ Payment (to the HOA account) after presentation of the invoices

Typical measures to be financed:

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Modernisation and repair of residential buildings; structural measures to improve the utility value (e.g. sanitary installations, water supply); structural measures to improve the general living conditions; measures to remedy structural defects through repair and renewal (e.g. windows, façade); replacement of outdated heating systems.

After the owners have passed a resolution for a HOA Loan, the following documents are required for the final review and preparation of the loan agreement on the part of the building management in addition to a self-disclosure form:

- ✓ Documents on the right to manage the building
- ✓ Legal situation of the HOA (declaration of division, list of owners)
- ✓ Economic documents of the HOA
- ✓ Documents on the measure
- ✓ Minutes of the homeowners' meetings (last two years)
- ✓ Building insurance certificate

Self-paying units: There is no obligation to participate in the HOA Loan. Each unit can pay the special contribution with its own funds (savings, individual borrowing), see example below: The financing share via a HOA Loan is reduced for the HOA to a total of EUR 180,000 both by the use of EUR 25,000 from the reserve and by the self-payers' share of EUR 120,000. The monthly loan instalments are borne by the units participating in the loan.

Example of financing:

	Reserve 12.000 €	
	Reserve 25.000 €	
Measure/s 325.000 €	To be financed 300.000 €	Self-payers 120.00€
		HOA Loan 180.000 €

Liability issue: Each homeowner is liable according to the proportion of his ownership share for liabilities of the community that arose during his membership in the community or became due during this time.

Result

HOA loans are increasingly in demand every year – in 2022 even more so than in previous years. Reasons are the effects of the Corona-related “assembly

backlogs”, prevention, if possible, of further price explosions (building materials, tradesmen, etc.), securing of building materials and securing of interest rates for financing. The repercussions of the Ukraine war have intensified the efforts of HOAs to become more energy independent.

So far, there has been no case of a HOA becoming insolvent and no longer being able to repay loan instalments.

Involved groups

BfW, building management companies, HOA advisory boards, homeowners

Financing // Funding

For the optimal combination of a HOA Loan with other funding sources, it is helpful to consult an energy expert.

Lessons Learned

Problems & need for action

Up to now, BfW has generally only been involved in the financing of individual measures on a short-term basis. For the future, it would be important to establish long-term coordination between BfW and HOA (represented by the management company).

Due to the shortage of building materials and tradesmen, as well as supply chain problems, there is a great deal of uncertainty for all sides in the planning process.

KfW and BAFA should define the subsidies and the time horizon for payment more precisely in order to create more planning security for the HOA and the bank and to enable a better adapted loan structure.