EXTRACT FROM ANNUAL REPORT FOR 2008

VLAAMSE MAATSCHAPPIJ VOOR SOCIAAL WONEN

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1 FINANCING OF SOCIAL HOUSING PROJECTS

The New Financing System (NFS2) for the creation of social rental dwellings by social housing companies (sociale huisvestingsmaatschappijen - SHMs) was launched on 1 January 2008. NFS2 credits are interest-free loans with a 33-year term granted by the VMSW (the loans issued to finance projects up to and including the capital expenditure programme for 2007 had the same term, but were not interest-free.) Another new feature is that these loans have a certain ceiling, the NFS2 standard. Expenditures above this ceiling are financed by the SHMs, either with their own resources or with a market-based loan credit from the VMSW.

The new NFS2 investment budget is primarily used to finance new-build, replacement building, renovation of acquired dwellings, and renovation of SHM's own housing stock. There are also separate envelopes for converting acquisition costs into NFS2 loans, for purchasing dwellings in good condition, doing demolition work, urgent work to existing constructions as a consequence of unexpected circumstances (after a reasoned request from the initiators), renovation work after a change of residents, and for CBO projects, and undertaking additional work in relation to previous investment programmes.

With the entry into effect and as a result of the new financing system, SHMs could no longer call on the SBR (Subsidies for Building and Renovation) channel to finance their projects.

Replacement building of 15 dwellings in Zele.

Only initiators that are not SHMs (municipalities, OCMWs, inter-municipal bodies, the Flemish Housing Fund) can carry out their building activities via the SBR channel as before and so follow the earlier procedure. The previous financing system was retained for these parties and the Ministry continues to provide direct finance from its budget. The subsidies for these initiators were based on the Ministry's budget as before, and paid out by employees of the VMSW, who are seconded for this purpose on a part-time basis to the RWO Department. Subsidies for demolition preceding the construction of rental dwellings, however, are disappearing. Subsidies for demolition work are now only given to construct houses that are for sale. The 'decision depending on design' phase has moreover been abolished, and decisions on projects that could be covered by that system have been tender based.

The consequence of all this was that the budget for SBR operations was drastically reduced: the credits still available last year of approximately EUR 80,000,000 were reduced to only EUR 10,000,000.
More funds were made available at the end of 2008 to pay off the final accounts for files that were close to completion, so that they could be closed.
It should also be noted that this exceptional measure for municipalities, OCMWs, inter-municipal bodies and the Flemish Housing Fund is only a transitional phase, and that in the long term these initiators will also have to follow the new NFS2 procedures.

In the rental sector, the Flemish Region granted subsidies to SHMs in 2008 to create infrastructure for demolition activities and for acquisitions.

The investment budget in the for sale sector is entirely directed at mortgage activities, providing special loans to buyers of social dwellings for sale constructed by the SHMs, to private individuals who take the initiative to build new units, or for purchases that require decontamination work.

Expenditures above this ceiling are financed by the SHMs, either with their own resources or with a market-based bridging credit from the VMSW.
The buyers of houses included in the building programme are eligible for exceptional social loans, which are provided for within the above-mentioned investment programme.

Subsidies from the Flemish Region are also granted for infrastructure, demolition, purchase and infill development purchase projects in the private sector.

SHM and the VMSW together invested more than 805 million euros for the implementation of their social task in the past year. The strong increase of 220 million euros in agreements concluded in 2008 stands out in comparison with the total figure for 2007.

A breakdown of the resources by origin, and a comparison with the four previous years, is given in the table below.

Investments in the letting and sales sector by SHMs.

Source	2004	2005	2006	2007	2008
Investment credits					
- Letting sector	107 428 527	249 210 402	185 435 296	192 454 312	308 918 864
- Home owners sector (mortgage transactions)	97 912 522	82 673 427	119 737 046	158 556 019	172 224 180
SUB-TOTAL INVESTMENT CREDITS	*205 341 049*	*331 883 829*	*305 172 342*	*351 010 331*	*481 143 044*
Construction programme Home owning sector					
- Net assets SHMs	19 275 037	42 476 659	26 746 258	31 877 107	38 790 320
- Market-based VHM/VMSW loans	11 249 097	23 707 532	18 395 035	14 750 383	37 202 428
SUB-TOTAL CONSTRUCTION PROGRAMME	*30 524 134*	*66 184 191*	*45 141 293*	*46 627 490*	*75 992 748*
Subsidies Flemish Region to SHMs	68 108 486	98 605 331	85 561 337	71 124 476	75 034 983
Net assets SHMs	40 174 496	68 229 761	53 372 939	46 572 640	75 215 331
Market-based VHM/VMSW loans	51 922 635	60 892 589	53 651 802	56 602 092	95 297 541
Loans to third party (incl. Vlabinvest), other initiators	414 919	6 565 430	6 969 937	13 294 176	3 293 718
Total	396 485 719	632 361 131	549 869 650	585 231 205	805 977 365

Subsidies Flemish Region Construction and Renovation – SHMs and other initiators

Activities and investments	2004	2005	2006	2007	2008
Construction and/or renovation by SHM design	60 902 597	68 788 954	61 697 709	69 820 325	1 565 830
Construction and/or renovation by SHM planning consent	938 625	2 408 815	947 547	1 543 122	1 466 256
Construction and/or renovation by SHM balance	2 350 105	2 301 607	1 937 213	3 113 079	2 945 128
Construction and/or renovation by other initiators – design	11 254 205	4 756 674	10 415 222	3 842 287	3 963 325
Construction and/or renovation by other initiators – planning consent	607 511	562 581	192 238	115 157	353 094
Construction and/or renovation by other initiators – balance	259 363	143 634	271 849	529 466	110 334
Other	1 945	496 395	1 476	-	2 785
Total	76 314 351	79 458 660	75 463 254	78 963 436	10 406 752

Subsidies Flemish Region Demolition and Infrastructure

Activities and investments	2004	2005	2006	2007	2008
Own activities infrastructure	15 462 779	18 942 875	23 454 373	37 192 277	20 028 799
Subsidy demolition, groundworks, community facilities and other infrastructure	4 612 846	6 339 651	5 043 169	12 822 830	4 229 634
Subsidy water supply and public lighting	1 350 355	1 650 279	2 036 331	2 640 464	2 163 289
Research costs Own activities	3 042 527	2 275 739	2 385 852	3 094 822	2 849 055
Testing costs Own activities	243 173	164 843	153 893	212 394	245 051
Other	54 134	20 374	32 464	74 524	621 083
Total	24 765 814	29 393 761	33 106 082	56 037 311	30 136 911

1.1 Investments for the implementation of social housing for rent by the SHMs

1.1.1 Investments with previous investment programmes (up to and including 2007): NFS1 credit) and the implementation programme 2008 (NSF2 credit)

The investment budget in the rental sector is used for the implementation of social housing for rent covering new housing construction, replacement building and renovation. Alongside these activities, part of the programme is allocated to activities which meet specific requirements, such as the purchase of houses in good repair, renovation projects after change of use, and CBO projects.

The sum for NFS2 investments for 2008 amounted to 384.47 million euros. In 2008, a total of 308.91 million euros in resources were invested in the 2008 programme and the programmes of the previous years.

Where the NFS2 ceiling was exceeded in some projects, the investments exceeding the ceiling are expressed by way of the SHMs' own resources or a market-based VMSW credit in the following sections.

1.1.2 Investments with market-based loans VMSW

The VMSW is able to release loan credits for the supplementary finance of purchases and construction and renovation projects as well as for infrastructure projects and additional works on projects in progress (supplementary finance for subsidy applications is being phased out).

Market-compliant loans offer an alternative for SHMs whose own assets are insufficient for small renovations. As mentioned above, a new category is being introduced this year in the form of financing above the NSF2 ceiling.

Finance in the form of market-based loans for the purchase of immovable property with a view to future creation of rental property is new in the framework of the NSF2 decree of 12 October 2007, replacing acquisitions with subsidy applications. These expenditures are financed initially by a market-based bridging loan – where the SHM only pays back the annual interest – insofar as the SHM does not decide to use its own resources. This loan is converted on purchase into a NSF2 credit at the time that the NFS2 finance is invested in housing construction at the purchased site.
Approximately 81 million euros were invested in the rental sector by way of market-based loans in 2008.

1.1.3 Investments with own resources

SHMs with adequate own funds can in this way implement some activities either in their entirety or as a supplement to other activities. The purchase of property in anticipation of conversion into NFS2 credit proceeds by means of this source of finance if the SHM concerned selects this option.
54.68 million euros of own funds in the investments sector were invested in the rental sector in 2008.

1.1.4 Investments with private capital

This item has no effect on the VMSW treasury, and is only mentioned for the record. 2.2 million euros were invested in the implementation of rented accommodation via Vlabinvest. In addition, external loans were entered into for the sum of 1.08 million for the implementation of non-residential spaces, integrated within a social housing rental project or for the benefit of a social housing association. Investments such as the construction of commercial spaces, offices or other premises for the SHM etc., belong to these.

Replacement building of 5 apartements in Kachtem.


New construction of 6 rental dwellings in Olen.

1.2 Investments in the buying sector

1.2.1 Investments by the investment programme - exceptional social loans.

The investment programme in the buying sector is entirely focused on mortgage loans, either to buyers of social housing for sale and built by the SHM, or to individuals for new construction or purchase and renovation of a dwelling in the private housing market.
The budget for exceptional social loans amounted to 147.59 million euros in 2008, which is 12.98 million euros less than in 2007. 110.55 million euros were invested in the 2008 programme (this occurs at the time the written offer is sent), or almost 75%.
Taken with the investments in previous investment programmes, 172.22 million euros in exceptional social loans were recorded for 2008, 13.67 million euros more than in 2007. As regards the financing of social housing purchases, 62.4 million euros were invested; 109.82 million euros were invested in the financing of new construction, purchase and renovation of housing on the private housing market.

1.2.2 Pre-financing construction programme

The building of social housing for sale set up by the SHMs is financed in advance. This is done either by using the SHM's own resources or with a short-term, market-based loan from the VMSW. The buyers of houses completed within the building programme are eligible for exceptional social loans from the VMSW. 75.99 million euros were invested during the building programmes of 2008 and previous years (2005 is now entirely closed).

1.2.3 Investments with market-based loans VMSW

SHMs which are under-resourced can finance the supplementary, non-subsidised elements of acquisitions through market-based loans. This also applies to all types of smaller investments in environmental activities and additional works for projects already in progress.

The sub-section 'new building outside the construction programme' was added in 2005. Letting companies often purchase dwellings that fall outside the programme. The provision of bridging loans provides the SHMs with the opportunity to conclude a loan on more favourable terms and with fewer administrative requirements than would be the case on the private market. However, buyers are not eligible for exceptional social loans from the VMSW.

Approximately 14.29 million euros in market-based loans were concluded on behalf of the buying sector in 2008.

1.2.4 Investments with own resources

SHMs with adequate own funds can in this way implement some activities either in their entirety or as a supplement to other activities.
20.52 million euros of own assets in the investments sector were invested in the purchase sector in 2008.

1.2.5 Investments with private capital

This item has no effect on the VMSW treasury, and is only presented for the record (no investments were recorded).

2 BUILDING ACTIVITIES BY SHM

To fulfil their purpose, social housing companies must have sufficient social housing at their disposal. With this in mind, they construct, convert or renovate houses and apartments for letting or sale.

2178 New dwellings were built by the SHMs in 2008, that is to say provisionally released. That means in reality the construction of 1,688 rented homes and 490 homes for sale. Renovation activities were done at a total cost of 133,710,505.94 euros (excl. VAT and fees)

When a SHM has an idea for a project, it will first ask an architect to prepare a provisional design. het voorontwerp. This provisional design comprises the plans for the building, the notes and an approximate budget tested against a comparison table.

The provisional design is submitted to the Flemish Housing Company, and after consultation and/or modification it may be approved. Then detailed implementation documents can be prepared: the definitive design, with specifications, measured drawings and detailed estimates.

If the documents are approved both technically and administratively, the finance is in place, and the SHM is the owner of the plots or the premises, the SHM is authorised to apply for planning consent in accordance with the laws on public tenders. The proposal for planning consent based on these regulations is examined by the VMSW. Once the VMSW has advised on the planning proposal and agreed the budget, the SHM can put out tenders for the works.

Then construction can commence. The SHM together with its designer is responsible for the correct compliance with the contract by the contractor. The VMSW plays a supporting role in this process. Where contract changes are required, they are submitted to the VMSW.
Invoices in connection with the progress of the works are dispatched by the SHM to the VMSW every month. After inspection and potential adjustment, the VMSW pays the invoices.

The completion of the construction works is confirmed by all parties in the provisional release. This is the acceptance of the building when it is determined that the construction phase has been completed and following the final inspection, which determines whether the building has been constructed in compliance with the contract and the plans, and in accordance with proper architectural principles.

The final account (the financial aspect) for the project coincides with the provisional release (the technical aspect). The final accounts for all the projects in the past year show an ultimate amount of 386,779,687.98 euros for 402 delivered releases.
From that moment on the dwellings can be let or sold.

New construction with environmental planning of 39 + 10 apartements in Sint-Truiden.

The definitive release takes place one year after the provisional release. Before the final release, the contractor has to repair any defects identified in the snagging list at the time of the provisional release, or which appear afterwards.
The SHM may rely on the assistance and support given by the VMSW at both the provisional and the definitive release.

A schedule is drawn up for the dwellings concerned, with a timeline for the maintenance and renovation works with estimated costs. If the maintenance and renovation schedule is followed precisely the building can be kept in good condition, and both the social housing company and the public authority will be able to draw up a sound financial plan.

Dwellings released per annum and per province							
		2008	2007	2006	2005	2004	2003
Letting sector	Antwerp	393	346	294	398	200	437
	Limburg	246	194	304	244	426	313
	East Flanders	531	409	422	593	341	414
	Flemish Brabant	271	81	84	187	314	269
	West Flanders	306	427	348	364	394	527
Total		1 747	1 457	1 452	1 786	1 675	1 960
Purchasing sector	Antwerp	166	93	123	98	118	123
	Limburg	161	120	140	323	75	230
	East Flanders	143	129	110	158	90	94
	Flemish Brabant	31	77	-	48	42	45
	West Flanders	201	58	137	100	105	160
Total		702	477	510	727	430	652

Dwellings released per annum and per province							
		2008	2007	2006	2005	2004	2003
Letting sector	Antwerp	421	330	231	358	406	473
	Limburg	261	234	342	385	187	190
	East Flanders	436	572	253	435	444	493
	Flemish Brabant	213	266	199	261	48	189
	West Flanders	357	251	390	486	514	388
Total		1 688	1 653	1 415	1 925	1 599	1 733
Purchasing sector	Antwerp	80	150	92	68	158	89
	Limburg	126	154	229	177	204	180
	East Flanders	97	193	58	117	165	70
	Flemish Brabant	73	32	16	62	54	50
	West Flanders	114	72	103	96	149	101
Total		490	601	498	520	730	490

Dwellings released per annum and per province				
		Construction	Renovation	**Total**
Letting sector	Number of releases	137	179	**316**
	Project Budgets	165 967 407,78	113 050 209,76	**279 017 617,54**
	Final Costs	185 527 558,61	133 710 505,94	**319 238 064,55**
Purchasing sector	Number of releases	86	-	**86**
	Project Budgets	61 267 047,48	-	**61 267 047,48**
	Final Costs	67 541 623,43	-	**67 541 623,43**
Total	Number of releases	223	179	**402**
	Project Budgets	227 234 455,26	113 050 209,76	**340 284 665,02**
	Final Costs	253 069 182,04	133 710 505,94	**386 779 687,98**

Number of released and lettable properties – other players (SBR)						
		2008	2007	2006	2005	2004
Number of projects	Number of releases	**19**	31	33	32	34
Number of properties	Total	**132**	124	197	152	161
	Subsidised	**132**	124	197	152	161
Amount	Total	**12 060 395**	13 041 709	16 014 649	13 426 079	12 043 724
	Subsidised	**7 142 756**	7 000 219	9 968 458	7 136 449	7 323 618

3 HOUSING INFRASTRUCTURE

Changes in 2008 regarding the construction of public space channelled through Grants for Demolition and Infrastructure (SSI) were less drastic. The biggest change meant that project-specific recognitions were no longer required and so these no longer occurred. Instead, an annual general list of programmes has to be drafted. This programme lists all the projects which are expected to be implemented in the year following its drafting. The list of programmes should be submitted to the Flemish Minister for Housing for approval. The list will then serve as a kind of general recognition. Along with the actual programme of projects that will almost certainly be implemented a reserve list is also drawn up. This is also submitted to the Minister for approval. It is possible to draw on this list if certain planned programmes cannot go ahead as hoped under the circumstances.

On the basis of the list of programmes, and from that time, the VMSW itself decides what priority it assigns to each project depending on how suitable they are. The VMSW will then start up the procedure to appoint a designer for the infrastructure works in accordance with the law on public procurement.

In exceptional circumstances it may be advisable to perform a town planning study just as before, but from 2008 that too is a decision that has to be taken entirely independently by the VMSW. For this sort of project, the VMSW starts the process of appointing a town planner, agrees a contract, and as the client, ensures that the designer develops an urban structure in consultation with all parties involved which will enable the project to be implemented efficiently and with proper regard to quality. In this case, the urban designer or town planner also acts as coordinator of the architect(s) and the infrastructure designers.

The preliminary design for the infrastructure, as well as house building if that is also subsidised, and the sketch designs of the dwellings, are discussed with all parties concerned at project meetings, formerly plenary meetings.

Following approval of the provisional infrastructure design, the VMSW is responsible for developing the design and the tendering documents.

Inspection of implementation up to the point of release follows after the tender and contracts are awarded.

The initiator transfers the infrastructure built on his property and the associated sites to the public domain of the municipality, which has to maintain this infrastructure.

3.1 Development of available resources

In terms of numbers, 2008 cannot touch those of 2007, which was in any case exceptional. The SSI investment loans available from the budget were only 60% of those for the year 2007 and the final figures for 2008 must be interpreted in that light.

The investment loans for the infrastructure works were optimally used and 100% of the total provision of 30 million euros was used up.
The payment credits, however, lagged behind. From the resources of 49,430,000 euros made available, only 70% was used, which amounted to 34,847,000 euros. One of the reasons for this is that claims, despite repeated reminders to the creditors, were paid too late, after the period of end of year accounting activities was closed. Nevertheless, the 70% represents a substantial improvement on the previous financial year when only 59% of the payment credits could be utilised.

Preliminary recommendations have not been received since December. The programming decree came into effect in November and so programming recommendations were abolished.
59 contracts were agreed with consultancies (72 in 2007) for only 76 instances of preliminary recommendations (174 in 2007). This meant that noticeably fewer infrastructure projects were started. It remains to be seen whether more projects will suddenly start when the new applications arrive. In view of the wrapper type of financing for fees and the removal of the recognition, it seems quite likely that many new projects will start up from early 2009.

57 Plenary meetings took place (104 in 2007) and 66 invitations to tender were issued (98 in 2007).
The number of calls for tender that were not approved decreased even more. The number of calls for tenders that were approved but could not be awarded remained high at 30. Possible causes are the waiting periods for planning permission or for the approval of the share of the municipality or other parties.

3.2 Implementations

3.2.1 Calls for tenders in 2008

Nature of the activities

In 2008, infrastructure and environment works were proceeded by tender for 2,289 dwellings of which:
- roads and sewer works for 185 dwellings;
- environment works for 422 dwellings;
- roads, sewer and environment works for 1,682 dwellings;

3.2.2 Provisional approval in 2008

Nature of the activities

In 2008, infrastructure and environment works were proceeded by tender for 2,332 dwellings, including:
- roads and sewer works for 394 dwellings;
- environment works for 650 dwellings;
- roads, sewer and environment works for 1,288 dwellings;

4 EXCEPTIONAL SOCIAL LOANS VMSW - CREDIT ARRANGEMENTS

The VMSW provides loans for the purchase of a home at least 30 years old to be renovated, for which the purchase price is limited. There are also loans for the renovation of private dwellings, for the erection of a new home, or for the purchase of a home for sale from a SHM.

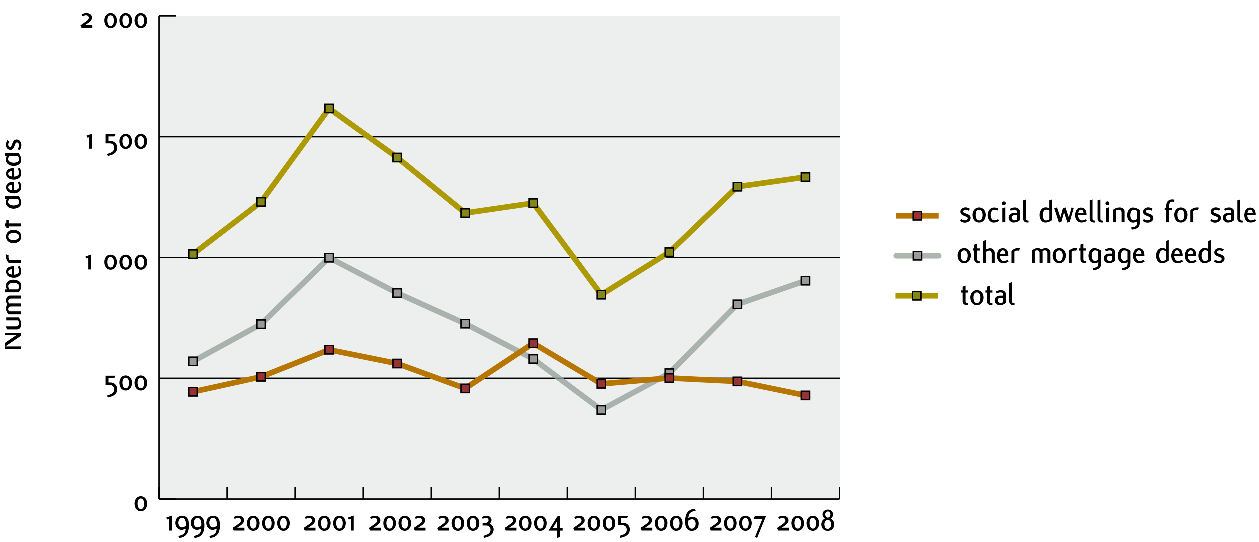
4.1 The number of deeds per annum

Year	Social housing for sale	Other mortgage deeds	Total
1999	444	570	1 014
2000	506	724	1 230
2001	618	999	1 617
2002	561	853	1 414
2003	458	726	1 184
2004	645	580	1 225
2005	477	369	846
2006	501	521	1 022
2007	487	806	1 293
2008	429	904	1 333
Average	513	705	1 218

The Flemish Minister for Housing also increased the investment programme for the VMSW in 2008. This was necessary because of the increased demand for renovation loans. Fewer deeds were executed for loans on social houses for sale than in 2007, but this is a temporary phenomenon.

New construction of 16 dwellings with public space in Otegem.

Executed deeds



4.2 The number of deeds by use

Nature of activity	2006	2007	2008
Purchase with renovation	501	650	710
Purchase of social home for sale	315	400	338
Purchase of social home for sale after renovation/demolition	89	87	91
Newbuild	21	40	42
Newbuild after demolition	3	0	5
Takeover of undivided half – collective housing	21	26	19
Takeover of undivided half – newbuild	1	3	1
Takeover of undivided half – renovation	11	12	13
Renovation of own home	60	75	114
Total	1 022	1 293	1 333

Renovation loans now form 62 % of loans; the number of deeds for social homes for sale has fallen to about 1/3 of the total. The credit volume for the various operations remains in step with the number of deeds (60.5 % for purchase with renovation).

Nature of activity	2006	2007	2008
Purchase with renovation	58 911 228	85 812 950	99 109 924
Purchase of social home for sale	41 906 131	56 197 258	48 973 924
Purchase of social home for sale after renovation/demolition	10 146 321	9 656 045	11 746 008
Newbuild	2 157 200	4 482 500	4 439 000
Newbuild after demolition	164 600	0	464 600
Takeover of undivided half – collective housing	726 234	1 050 872	806 941
Takeover of undivided half – newbuild	55 000	195 000	50 000
Takeover of undivided half – renovation	392 756	359 024	634 240
Renovation of own home	2 358 828	2 860 219	4 057 385

The average loan was 139,591 euros for the 'purchase with renovation' operation and 141,538 euros for the 'purchase social home for sale'operation or 'purchase of social home for sale after renovation/demolition'.

New construction of 16 rental dwellings in Baasrode.

4.3 Territorial spread according to type of credits

Deeds per province	Purchase & renovation	Homes for sale	Special	Newbuild	Renovation own home	Total
Antwerp	204	63	5	24	24	320
Limburg	99	128	6	10	12	255
East Flanders	214	124	10	9	34	391
Flemish Brabant	46	26	4	2	3	81
West Flanders	147	88	8	2	41	286
Flemish Region	**710**	**429**	**33**	**47**	**114**	**1 333**

Significant in 2008 is the increase in the 'renovation own home' operation, in particular in West Flanders. The real centres for 'purchase and renovation' are found in a few cities: Antwerp, Ghent and Kortrijk.

4.4 Maturity and interest rates

Average maturity in months	2006	2007	2008
Purchase with renovation	282	299	310
Purchase of social home for sale	280	290	305
Newbuild	272	302	282
Takeover of undivided half	252	248	279
Renovation of own home	232	233	232

The maturity is more than 25 years (300 months) for the two main activities. The decrease in maturity for newbuild credits is surprising. The average maturity for all activities taken together is 23.5 years.

The interest rate has increased for every activity, by between 15 and 40 base points (1 base point = 0.01%). The greatest increase was seen with the 'renovation of own home' operation. The reference rate or 'market rate' on which the social interest rate is based was 4.41% in 2007 (weighted by number of days) while in 2008 this was 4.81%. The calculation required to arrive at the social interest rate is such that the income of borrower(s) and the percentage applied to the type of operation carries greater weight than the actual market rate. The fact that the average social interest rate for newbuild and social homes for sale is higher than for other operations can also be attributed to regulatory requirements.

Average interest rate	2006	2007	2008
Purchase with renovation	1,97 %	2,18 %	2,38 %
Purchase of social home for sale	2,64 %	3,00 %	3,28 %
Newbuild	2,60 %	2,93 %	3,23 %
Takeover of undivided half	2,18 %	2,45 %	2,73 %
Renovation own home	2,19 %	2,45 %	2,84 %
General average	**2,32 %**	**2,60 %**	**2,75 %**

New construction of 36 apartements,
64 garages and a social service centre in Tielt.

5 EXCEPTIONAL SOCIAL LOANS VMSW - CREDIT MONITORING

The administration of the exceptional mortgage loans of the VMSW involves numerous facets, including handling the processing of the agreed repayment tables (calculating and charging the agreed monthly payments on the respective due dates), the follow-up of payments, sending payment reminders and reporting bad payers to the NBB's risk centre, undertaking measures as regards arrears, including possible debt restructuring, dealing with partial or full early repayments of borrowed capital, taking care of the specific, social five-yearly interest review, handling applications for a changed maturity, dealing with the takeover of the loan by one of the borrowers, e.g. after a divorce, managing address changes, and following up the obligation to personally reside in the premises for which the loan was granted.

The following figures concisely reflect the most important developments within the management of the loans.

The mortgage loan portfolio is continuing to shrink further, although less quickly than in previous years. On an annual basis, the portfolio fell by another 1,167 loans in 2008. Last year we noted a similar fall by 1,113 loans. In 2006 we saw a fall of 1,848 loans, and the year before it was 1,576 loans.

If we consider the ratio between the number of new loans to the total number of loans that matured or were paid off early in their entirety, then we see that for every new loan in 2005 an average of 3.6 other loans disappeared. In 2006 this figure was 2.8 and in 2007 it decreased further to just 1.9, the same as now in 2008. This means that for each new loan two others still disappear from the portfolio. In particular, the number of loans that reach maturity remains relatively high, while the number of early repayments is decreasing and new loans are steadily increasing.

Expressed as two different percentages, the backlog stabilised in the past years again at its base value, after a period in which we saw significant year-on-year falls. Monthly economic fluctuations will be more easily observable from now on (where the Christmas period, the summer holidays and the start of school can mean a surge, while at the same time payments of holiday allowances and the end-of-year bonus or 13th month can also cause a drop).

Debt restructuring is generally only allowed if it appears that the borrowers in question are not in a position to clear the arrears they have run up within a reasonable time, based on a current solvency investigation, although there is just about enough leeway to make normal monthly payments. This can often be linked to events that have had a temporary negative impact on the borrower's solvency, such as unemployment, illness or divorce.

Since 1992 interest rates on loans can be reviewed every five years. The number of interest rates due for review has risen year on year. The interest rates due for review are gradually hitting a constant speed, because soon the final interest reviews will take place for the first loans with a revisable interest rate which had a term of 20 years. For some years now loans with a revisable interest rate have constituted the majority of the portfolio, but there is still scope for growth in this regard, in spite of the big fall in the number of loans in the total portfolio.

Given the particular social nature of loans for persons needing housing, it is normal that the dwelling has to be inhabited by the beneficiary of the loan and that this is monitored. In general there are very few breaches of this residence obligation. There were 58 cases in 2008. These loans will be given a higher interest rate. A small number of borrowers choose to refinance their

Credit monitoring	2006	2007	2008
Outstanding capital (in million euros)	959,7	1 019,0	1 090,0
Number of loans in circulation	25 239	24 126	22 959
Number of new loans	1 022	1 291	1 333
Number of loans reaching maturity	1 590	1 533	1 673
Number of loans redeemed prematurely	1 308	865	814
Amount of outstanding arrears	460 999	456 197	434 871
% outstanding arrears/to be collected with due dates in December	5,42 %	5,29 %	5,01 %
Total arrears outstanding	1 935 852	2 056 744	1 775 003
% total arrears/total outstanding capital	0,20 %	0,20 %	0,16 %
Permitted debt restructurings	17	8	10
Five-yearly revisions of the interest rate	2 108	2 416	2 028
Increased interest rate for non-residence	10	10	26
Other changes to loan arrangements	1 449	1 476	845
Take-over after divorce and borrower redundancy	125	117	97


New construction of 10 dwellings for sale with public space in Houthalen-Helchteren.

loan, prior to or just after the interest rate increases. An equally small number opt for regularisation, that is a return to a social interest rate by reoccupying the dwelling in question.

If one or more of the parameters of the credit change (loan capital, interest rate or maturity), then a new repayment table or sub-credit will be created. The number of changes has fallen again to a normal level since 2006. This was mainly due to the expiry of the correction project for mortgage loans. The main reason for such changes, namely the five-yearly revision of the interest rate, is not really rising year-on-year at the moment, but this can be expected in the following years. Because the long-term interest has been at a very low level for many years there is much less need for refinancing – certainly in the case of newer loans - and the interest rate for newer loans will need to continue to be revised even after 10 years and more.

What is more, a lot of sub-credits are created in the case of partial early repayments, but also for maturity extensions and reductions, failure to take up available loan amounts, debt restructuring for arrears on the borrowed capital, but also changes to the interest rate in the context of personal occupation of the premises or not. There are also borrowers who after the notarial or private loan deed has been executed, nevertheless still wish to delay repayment of the capital during the take-up phase. When compared to the number of five-yearly interest reviews and partial early repayments, the other reasons for changing interest rates are quite a marginal feature.

In connection with some of the divorces between borrowers, one borrower requests to be relieved of his obligations and asks if the other borrower can continue the loan by themselves, which may be associated with a request for an additional loan. In a number of cases relating to divorce, the loan is simply paid off or refinanced somewhere else. In many instances the VMSW is not informed of an imminent or final divorce. In such cases both borrowers remain jointly and severally liable for all obligations. The number of actual takeovers has remained stable in recent years.