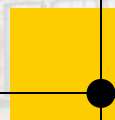


**Household debt on the
peripheries of Europe:
New constellations
since 2008**

**LUCA SÁRA BRÓDY
ZSUZSANNA PÓSFAI**





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This publication largely follows the structure of the workshop, and important contributions were also made by participants in the course of editing. We include the program of the workshop at the end of the booklet.

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INTRODUCTION

This publication focuses on the issue of household debt on the Southern and Eastern peripheries of Europe. We explore common patterns intending to understand what specific forms of household debt arise in these countries. Our claim is that relations of dependency between countries of the economic periphery and core of Europe also influence how household indebtedness unfolds in Southern and Eastern Europe. We aim to shed light on the changing institutional environment of household debt, and on the far-reaching, often unseen social consequences of household indebtedness.

We largely base the content of this publication on a workshop organized by Periféria Policy and Research Center in November 2019 in Budapest. This workshop was organized as part of the Bertha Challenge project proposed by Zsuzsanna Pósfai and Periféria Center. In the frame of this Bertha Foundation fellowship, fellows around the world sought responses to the question of how the nexus between property, profit and politics contributes to land and housing injustice, while also exploring possibilities for going against this process. We launched a project on household indebtedness and its relation to housing dispossession. The situation in Hungary must be understood in the broader context of household indebtedness on the peripheries of Europe. Thus, we gathered with several engaged researchers

Eastern European countries experienced a phase of rapid liberalization parallel with quickly increasing levels of household debt.

As a result of the volatility of available finance, the housing markets of peripheral European countries are also instable.

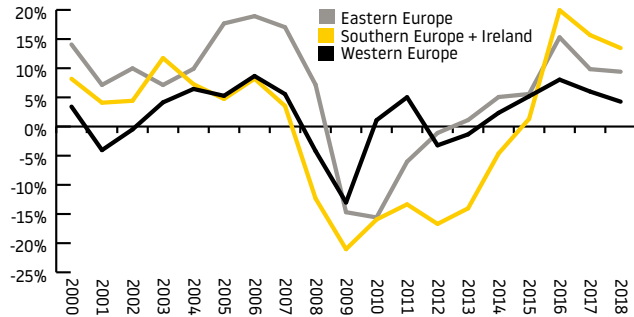
to bring together our knowledge and experience. We will make direct reference to the presentations given at this workshop and include the program of the workshop at the end of the booklet.

In the early 2000s, the peripheries of Europe experienced a boom in household lending. This was integrated in a broader, global period of increased lending to households, but in places with little previous household lending, it caused important economic and societal changes. In Eastern European countries this process was further deepened by their accession to the EU, which happened during the very same years. This combination meant that these countries experienced a phase of rapid liberalization parallel with quickly increasing levels of household debt – particularly housing-related debt. In terms of context, it is important that housing finance is generally much more volatile on the peripheries of Europe than in its core – the credit boom of the 2000s was a phase of expansion, to be followed by a rapid downturn after the crisis. Beyond mortgages, general investment in the housing market of European peripheries shows an even stronger exposure to crisis (see Fig. 1)¹. As a result of the volatility of available finance, the housing markets of peripheral European countries are also instable (Bohle, 2018).

The boom of household debt led to a large bust in the aftermath of the 2008 financial crisis. Although excessive household lending is understood to generally precede crises, in the European context this boom-and-bust pattern was particularly true for peripheral countries.

1 We have grouped European countries in the following way (the same grouping applies to all charts where the data is displayed in such a way): “Western Europe”: Austria, Belgium, Denmark, Finland, France, Germany, Luxembourg, Netherlands, Sweden; “Southern Europe and Ireland”: Cyprus, Greece, Ireland, Italy, Malta, Portugal, Spain; “Central and Eastern Europe”: Bulgaria, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia.

Figure 1. Real gross fixed investment in housing, annual percentage change. Source: EMF 2019.



After 2008 the mainstream European paradigm for crisis management was first to implement austerity measures, and then to rebuild household debt.

The financial and banking crisis of the core led to the abrupt halt of new capital investment on the peripheries of Europe (in various sectors of the economy), causing a strong recession. However, following the immediate impact of the financial crisis, “a new stage of deepening crisis started for the periphery of the eurozone in the beginning of 2010” due to the crisis management of European institutions and financial markets (Becker, Jäger and Weissenbacher, 2015, p. 89). “The so-called anti-crisis management was aimed at restoring pre-crisis structures” (ibid, p. 89). This also meant that after 2008 the mainstream European paradigm for crisis management was first to implement austerity measures (as a way to counter public debt), and then to rebuild household debt as one of the “engines of growth”. As a result, public policies fueled a new wave of household lending.

With the new wave of household lending since 2015, the structure of lending has changed.

However, with this new wave of household lending since 2015, the structure of lending has changed. Mortgages (housing loans) – which were at the heart of the crisis in 2008 – have been regulated more strictly, and as a result, they have been targeted at middle-class households with stable and higher income. On the other hand, the volume of newly issued consumer loans and personal loans increased, as lower-income households took on more of this kind of credit. This is because consumer loans are usually easier to access and have lower requirements than mortgages. Thus, households who cannot access a mortgage will often rely on a personal loan/consumer

loan as a way of covering different housing-related costs. This, however, comes at a price: these forms of credit are generally more expensive and riskier than a mortgage.

Another form of household indebtedness is debt which accumulates as a result of arrears in utility bills and in other service bills. This is not part of public discourse as much as loans are, while it mostly affects lower-income households. Arrears in utilities are a huge problem on the peripheries of Europe, where energy prices are often relatively high.

In the publication, we draw attention to the role of corporate actors on the interface between households and financial markets. These corporate actors are often banks involved in household lending, but can also be a number of other types of companies: various financial enterprises, such as rapid credit providers or debt collectors. The Eastern enlargement of the EU in the mid-2000s was an important turning point for these companies in opening towards new peripheral markets. As a result, the market strategies of these large European (or sometimes global) companies have been very influential in how household debt in peripheral Europe has developed (Pósfai, 2018).

The role of the state often appears rather as a lacking actor: instead of state programs to prevent households' over-indebtedness and to help them out of a debt trap, public policies often enhance further indebtedness through liberal housing policies or through the lack of providing adequate public services. Policies of financial inclusion (that is, to propose solving households' everyday needs by more access to credit) have proven to be controversial and inefficient in fighting against poverty (UN Human Rights Council, 2020).

In the publication, we cover all different kinds of household debt: housing loans (mortgages), non-

housing loans (consumer loans), utility and service bill arrears, and indebtedness through informal sources of loans as well. We discuss how debt is accumulated, what effect this has on households, as well as the institutional changes of the past decade concerning the debt of households on European peripheries.

We also give short summaries of the presentations discussed at the workshop in Budapest at the end of November 2019. These appear in text boxes in the chapters.

Debt acts in many cases as the interface between financial markets and households. Despite its relevance, debt often remains an invisible problem, pushed to the realms of individual responsibility.

Recognizing structural constraints is important in shifting the discourse around debt away from a narrative of “blaming the poor”.

We believe it is important to discuss the debt of households for various reasons. On the one hand, household debt plays a crucial role in the contemporary capitalist economy, and on the other hand, it also has severe consequences on households' livelihood, employment possibilities, residential mobility, and on processes of impoverishment. Debt acts in many cases as the interface between financial markets and households, hence it is crucial to understand how the logic of finance trickles down to the level of households. Despite its relevance, debt often remains an invisible problem, pushed to the realms of individual responsibility. Following this approach leads to the neglect of structural aspects behind the accumulation of debt: namely the fact that the increasing financialization of the economy, the devaluation of labor and the failure of the state to provide basic services has been a combination that left few other options available to low-income households than to indebted themselves. Increasingly complicated financial instruments, like foreign currency-denominated or indexed mortgages, were also used to shift new kinds of risk from financial institutions and the state onto households asked to “cope.” Recognizing these structural constraints is important in shifting the discourse around debt away from a narrative of “blaming the poor”. This is an objective that we as critically engaged social scientists put forward in this publication.

In the first section, we give reflections on the broader economic context of household debt, then in the second section, we outline institutional and regulatory frameworks related to household lending in place before and after the 2008 crisis. In the third section, we discuss different forms of non-mortgage debt, and in the fourth, we analyze what consequences indebtedness has in terms of housing possibilities: both from a structural and from an individual point of view. Finally, in the fifth section, we discuss the potential political responses.





THE FINANCIALIZATION OF HOUSING IN SOUTHERN AND EASTERN EUROPE

This unequal relation has been at the heart of the whole process of European integration; it is inherent to how the European Union works.

Relations of dependency in Europe

Eastern and Southern Europe have always been dependent on the economic core of Europe: for technology and capital (Arrighi, 1990). At the same time, this part of Europe has provided cheap labor for capitalist production. As Weissenbacher argues, this unequal relation has been at the heart of the whole process of European integration; it is inherent to how the European Union works. The structure of how the EU is organized “seems to be [...] the reason behind continuing difficulty of peripheral countries and regions” (Weissenbacher, 2019, p. 10). The mechanisms of EU crisis management in the late 1970s had already followed this structure. Neoliberal policies rolling out as a response to the crisis of the 1970s set austerity and liberalization as a prerequisite for Southern European countries to join the EU in the early 1980s. Furthermore, the role of these new coming countries in the common European economic space would be seen as absorbers of the surplus capital and the exported products of European core countries (specifically of Germany, which had the largest economic weight from the beginning). This led to a situation where Southern countries would take on debt to pay for the products and technology exported by Western European countries – thus solving two “problems” of the economic core at once: that of surplus capital and

of limited market capacities (Weissenbacher, 2019). A similar pattern was repeated when Eastern European countries started their process of EU integration – first economically in the 1990s (through the privatization of large companies in key sectors of the economy and through foreign direct investment), then politically in the early 2000s.

The role of European peripheries as absorbers of surplus capital could be further expanded by large-scale household lending from the 2000s onwards.

The role of European peripheries as absorbers of surplus capital could be further expanded by large-scale household lending from the 2000s onwards. This is a market that can easily be expanded (especially in countries with relatively low levels of debt penetration), and which is also politically supported by almost all governments, due to the political attractiveness of supporting home acquisition and more consumption without significant fiscal input from the government. As financial markets were liberalized in CEE countries entering the EU, the role of debt became more and more important in European relations of dependency (Becker, Jäger and Weissenbacher, 2015). After the crisis of 2008, this debt-dependency was translated into large-scale austerity programs and debt-trapped households in various countries of the European periphery.

Debt opens a channel for households to act both as absorbers of surplus capital, and as a market for products exported from the core.

Thus, dependent economic relations are inherent to how the EU is constructed and have been with us from the beginning of European integration (and also before). What is more recent is how household debt also comes to play a role in these relations of dependency. Debt opens a channel for households to act both as absorbers of surplus capital, and as a market for products exported from the core.

Theoretical reflections on the nature of dependency

[Johannes Jäger]

Rent theory can be a relevant frame for explaining how different regimes of dependency led to various outcomes in terms of accumulation and extraction. As Johannes Jäger argues, dependent financialization

is what puts specifically large emphasis on the real estate market and on financial extraction through rent (Becker, Jäger and Weissenbacher, 2015). This process leads to the increased commodification of housing and more household debt. Dependent industrialization, on the other hand, puts more emphasis on available cheap labor and favorable investment conditions in manufacturing facilities; in order to support export-oriented industries.

These different channels of extraction result in different kinds of institutional setups and regulations. The beneficiaries of these different regimes of dependency can also be different, depending on ownership structures and on how value transfers are organized. Periods of dependent financialization and dependent industrialization can alternate in time, but as we see in the history and economic structure of the European Union, they are strongly interlinked and can happen simultaneously. The dependent position of a country is not always reflected in the same way in all sectors of the economy. That is, it can happen that in its manufacturing sectors a country is integrated in a structure of dependent industrialization, while its real estate or banking sector is structured by patterns of dependent financialization. Relations of dependency will not be equally strong in each sector in a given period. It is also important to take note of how the circle of beneficiaries changes in the case of reducing external dependency in a given economic sector. It often happens that in these cases the new beneficiaries are members of a domestic economic elite.

The variegated financialization of housing

Housing financialization is driven by surplus capital from financial markets being invested in the housing market.

As argued by the literature on variegated forms of housing financialization²; the specific forms that the financialization of housing will take differ from context to context (Aalbers, 2017). Housing financialization is driven by surplus capital from financial markets being invested in the housing market. However, the ways in which it is possible to invest will largely depend on the institutional landscape and ownership structure of a particular housing market (see Fig. 2). In housing markets dominated by homeownership (which is the case in countries of Southern and Eastern Europe), individual household debt will be an important channel for housing financialization. Thus, the market pressures of abundant capital will go towards the distribution of more and more loans to households for home acquisition.

Figure 2. *The specific form housing financialization will take depends on the local institutional configurations.*
Source: <https://vimeo.com/253402217>.

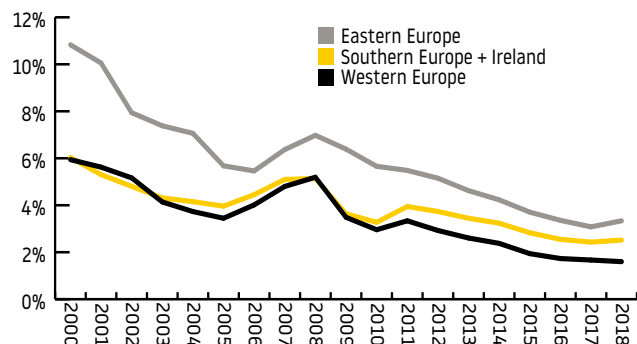


2 This term can be understood as a process (which cyclically reappears in history) where the financial logic becomes increasingly determinant in how housing is produced and how it can be accessed, and an increasing amount of money is invested in the housing market. For more details see for example the brochure of the European Action Coalition for the Right to Housing and to the City on housing financialization: <https://www.rosalux.eu/en/article/1365.housing-financialization.html>.

Those that are systematically in a worse position can only get money on worse terms.

Since homeownership is the dominant form of housing in most countries, mortgage lending to households will have a similar role in many places. Housing finance has been liberalized for a longer period of time in Western Europe or in the United States, thus the stock of outstanding household loans is much higher in these places than in Southern or Eastern European countries. In spite of this relatively lower volume of the stock of loans, what tends to make household lending in peripheral countries of Europe problematic, is the structure of the loans. Loans are given with higher, and often variable interest rates, which makes them more expensive and riskier (see Fig. 3). Thus, even though interest rates have been generally declining over the past decades, households in peripheral countries will only access more expensive credit. Conditions are worse because international financial companies have higher expectations of yields in peripheral than in core economies, and because the perceived risk here is higher. As a result, those that are systematically in a worse position can only get money on worse terms and thus end up paying more in return. This is one aspect of how loans systematically contribute to widening inequalities (Mian and Sufi, 2015).

Figure 3. Interest rates on new residential loans, annual average based on monthly figures, percent. Source: EMF 2019.



A further specificity of lending on the peripheries is that the availability of capital is very volatile. This means that in boom periods capital is abundant and then when a crisis hits, lending channels towards debtors perceived

as riskier are closed as financial institutions become very risk-averse (Pósfai, 2018). Freezing credit channels are also linked to the fact that the employment and income of households is much less stable in a peripheral economy, and unemployment levels will likely climb as a result of crisis. This highlights a further structural constraint of household lending on the peripheries: households often take on a loan to cover for costs of living or the provision of basic services (such as housing). However, due to precarious working conditions, they usually cannot expect to have stably improving wage conditions over time. Thus, repaying a loan will not become easier in the future, and if an economic crisis or a difficult life event hits, these households can easily experience difficulties in paying their loans. This can lead to a debt trap, and to repaying one loan by taking another – which opens a spiral of indebtedness.

Mortgage lending as a form of investing surplus capital [Zsuzsanna Pósfai]

An important aspect of the financialization of housing is how the debt of households becomes a channel for investing surplus capital accumulating in financial markets and on the accounts of financial institutions. Housing markets (that is, new mortgage lending) in peripheral countries can be important in this process because there is a relatively lower level of debt penetration – that is, compared to core economies, fewer households have mortgages. Thus, it is a typical pattern that capital from core economies is invested in the housing markets of peripheral countries (Pósfai, 2018). A very clear-cut example of this was the spread of forex mortgages (loans denominated in foreign currencies) in some Eastern European countries in the years preceding the 2008 crisis. Hungary experienced one of the most devastating shocks relating to forex loans when the Hungarian currency plummeted during the crisis.

This led to rapidly increasing monthly installments for households, who were anyway experiencing economic hardships (Bohle, 2018).

This aspect is important to highlight because the discourse on household debt usually focuses on the demand side (why do people take credit, do they take too much, etc.), and the supply side remains invisible. However, household lending systematically increases in periods of capital abundance – thus, it is more dependent on supply-side pressures and macroeconomic processes than on the demand of households. In such periods of capital abundance households are often incentivized by various measures to take loans. Banks deliberately push for credit expansion, relaxing lending standards to capture as much of the market as possible (the wave of forex lending in the 2000s was a major example for such a period). Governments play an important role in this through policies supporting homeownership or subsidizing loans. Credit-based housing solutions are convenient for governments, because they do not need to maintain institutions of housing provision, and because more lending generates economic growth on a macro scale.

The specific institutions that channel money into the housing market change in time and depending on context. Before the 2008 crisis, the main channel for investing in the housing markets of European peripheries was through mortgages. After the crisis, this channel became narrower, and new ones developed; such as the sector of institutionally owned rental housing in Southern Europe, set up through the large scale buy-up of defaulting previously mortgaged properties.

After the 2008 crisis, on the European peripheries mortgage lending criteria generally became stricter, which was important in order to avoid personal

bankruptcies due to housing loans such as those that occurred before. However, since housing systems did not shift away from the dominance of homeownership and housing costs were generally on the rise since 2014; this led to other forms of loans becoming more important in financing housing costs. These are various forms of non-collateralized loans (such as personal loans, credit card debt or credit overdraft).

The housing markets of Southern and Eastern European countries show certain structural similarities rooted in their dependent position.

The housing markets of Southern and Eastern European countries show certain structural similarities rooted in their dependent position. To start with, they have a housing market based predominantly on homeownership, which has in past decades become the near-only way to secure one's housing and is also the only tenure form actively supported by public policies. The dominance of homeownership was strengthened by the dismantlement of the social housing stock (in Eastern Europe very quickly after the political and economic transformations of 1989; in Southern Europe a bit more gradually since the 1980s). What is left was usually transferred to local municipalities, who thus receive the task of managing the impoverishment of tenants and a deteriorating social housing stock with little resources.

Most new entrants to the housing market (except the highest status social groups) have no other option than to get indebted in order to buy property.

As a result, most new entrants to the housing market (except the highest status social groups) have no other option than to get indebted in order to buy property. New entrants to the housing market are often young households: the generational inequality is thus also reinforced. This is particularly the case in Eastern European countries, where the extensive and fast housing privatization of the early 1990s meant relatively cheaper access to housing for many members of older generations. In the case of those currently securing their housing, this discrepancy between income / savings levels and house prices often leads to over-indebtedness and debt default.

High and rapidly increasing housing costs have also led to a rise in consumer credit, particularly among social groups who cannot (or not easily) access mortgages. These forms of credit are typically more expensive, and thus also carry more risk of a debt trap.

Non-bank financial institutions have also been emerging as important actors of the lending landscape to lower-income households. These financial corporations usually have more flexible lending policies than banks, and also include more households with their doorstep agent practices or very quick credit decisions. Another type of financial corporation which is active in managing the debt of households are debt collector companies, buying non-performing loans (and unpaid arrears) from banks and service providers. They are important elements of housing financialization, and have a marked European-scale strategy, according to which previous spaces of financial overinclusion become good markets.

Altogether, how is broader economic dependency important in how housing markets develop on the peripheries? In the following points we summarize the main aspects:

Peripheral housing markets are drawn into how the economic core manages its crisis of overaccumulation.

- High volatility of available capital: in expansion periods capital floods these markets, while in case of a crisis, it is abruptly withdrawn. This causes volatility on the housing market as well: house prices and transaction numbers increase quickly (fueled by new household lending) in periods of economic growth, and they drop suddenly when a crisis hits. This is one of the ways peripheral housing markets are drawn into how the economic core manages its crisis of overaccumulation.
- There is a lack of long-term financial resources, which further contributes to housing market instability/volatility.

- On the scale of households, housing finance is only accessible with worse conditions than in core economies.
- There are no institutions for owning and managing rental housing (especially not affordable rental housing).
- Due to a lack of other stable long-term housing solutions, lower-income people also take mortgages, which can easily lead to default (especially since employment opportunities also tend to be more volatile).

With rising housing costs, and with the inability to keep up with these costs, households will need to resort to financial institutions more often. The logic of the financial sector is increasingly integrated into the everyday lives of households.

Households and the debt burden

It is important to note that not all segments of housing work according to the logic of finance (especially not in Eastern Europe). Many households secure their housing with the combination of family support (intergenerational transfers) and savings, they build with the help of relatives, they inherit an apartment, or they buy in very cheap locations. However, with rising housing costs, and with the inability to keep up with these costs, households will need to resort to financial institutions more often in order to secure their housing. This means that the logic of the financial sector is increasingly integrated into the everyday lives of households.

To understand how households are affected by these processes, it is important to examine the instances of securing a home. That is, when households move, when they need to access a new place to live. This is the point where the problematic points of the housing market can easily be identified. Shifts in housing finance and in housing-related institutions can significantly change how housing can be accessed. These changes are crucial for households who are moving apart, who need to change their place of residence, or for newly established

young households. Additionally, shifts in housing finance and housing-related institutions are also the points where investors or new organizations can enter the sector; setting the ground for further changes.

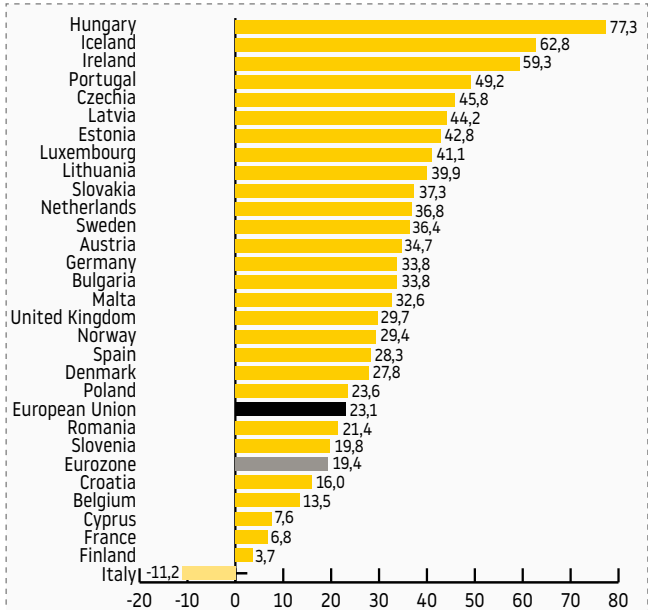
Increasing house prices, higher debt burden, and the role of the state – a focus on Portugal [Eugénia Pires]

The increase of house prices is an overall tendency in Europe for the past decades, but accelerated in the early 2000s; to continue after a brief downturn following the crisis of 2008. In order to cope with these higher prices (both for buying and for rental), households have been taking on a debt burden beyond acceptable levels, increasingly relying on multiple sources of non-mortgage credit. On the other hand, in a context of reduced provision of social housing and promotion of homeownership, there is also the supply-side factor discussed in the previous section: financialization profits out of the extraordinary liquidity created, and not mopped up, by central banks in the context of the financial crisis of 2008, and EU sovereign debt crisis, fosters this vicious cycle where more available capital pushes more lending, and this increased amount of capital in turn, pushes house prices up.

As a result, both house prices and household debt levels have significantly increased in Europe over the past 20-30 years. Looking at the most recent surge in house prices, between 2013 and 2019, Hungary had the highest increase of 77 p.p., while Portugal was the fourth with a 49 p.p. increase. Other countries of the European periphery also experienced strong increases in their house prices.

High housing prices represent an important burden on households' budget and lead to the displacement of the city center residents and spatial segregation. Because of housing-related debt taken on, in spite of

Figure 4. House price evolution in different European countries between 2013 and 2019, 2015=100. Source: Eurostat House price index.



relatively low or unstable income, an increasing debt delinquency can be observed in certain countries. It is also important that most defaulters accumulate several credits of different types, which makes their total debt burden very high compared to their income. Among those contacting a consumer protection agency in Portugal in the first half of 2019, the average debt burden ratio compared to their income was 73%. Although first-residence mortgages are the main credit, consumer loans taken to help make ends meet (after having paid for housing costs) also contribute to this high debt burden. The fear of asset garnishment and foreclosure, unemployment, low wages and precarious labor relations feeds into this debt trap.

In Portugal, the interlinkage between increasing housing costs and indebtedness is closely intertwined and deepened through different processes. From a structural point of view, liberal housing policies favoring homeownership, European-scale austerity policies imposed by the Troika, as well as the principle of free circulation of capital in Europe all lead to

difficulties of housing affordability. More debt is a common consequence of this. On the scale of individual investors, house prices have been pushed up by individuals from Western Europe buying holiday homes and retirement homes, as well as by the golden visa programs. These tendencies are characteristic of several countries of the European periphery beyond Portugal as well.

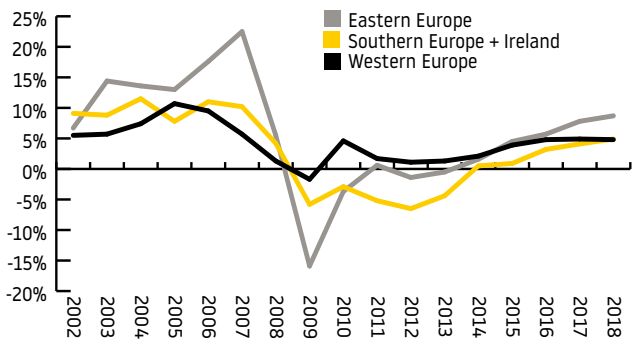
Nevertheless, some lessons can be taken. To begin with, until 2010, the housing market has been more or less protected from international investors and speculation, as they were only interested in offices, retail and logistics. The house-renting market was not attractive because the legal framework was tailored to protect long-term tenants. On the other hand, the banking system acted as a cushion pad with foreclosures seldom happening, and only as a last resort measure. However, the troika bailout created, both by international pressure and ideological identification of the government, the state of exception to implement the missing policy measures underpinning the Washington consensus menu. Labor markets were liberalized, generating the intended nominal adjustment through wage compression and precarization of labor relations; the house renting market was also reformed, in spite of fostering tenants' exposure to continued rental renovation and rising prices; and banks' balance sheet cleared of non-performing loans.

Besides the heavy burden on workers and households, this created the new regulatory framework promoter of the new model of development, based on the attraction of capital inflows eager of short-term profiting both by low-cost airlines, global tourism operators, and aggressive investment funds. In this context, tourism and real-estate were up-graded to tradable assets and subject to external demand. Indeed, tourism related activities are the main component

of exports, representing a share of almost 20%, and its external component contributing to almost 9% of GDP. With the exposure to external demand of these important economic segments comes, not only the speculative bubble on real-estate and the erosion of housing stock, with heavy social costs borne by residents, but above all, accrued volatility and a new source of external macro-economic imbalances. In the absence of capital controls, the country becomes subject to sudden stops and capital runs, reinforcing its semi-peripheric condition.

Since the crisis of 2008, house prices have been on the rise all over Europe, but they have been rising at a faster pace on the peripheries of Europe (see Fig. 5). These rising house prices have led to an increasing debt burden. The social costs of this debt burden and of the difficulties to access housing are borne by the residents. In this, broader family resources are drawn into the financialization logic. There are various ways of how this happens. In case of difficulties of payment with a loan, it is common for family resources to be mobilized in order to not lose the home and pay the debt. Thus in the end, even more family resources go towards the financial institution. A variation of this is when a family member resorts to international migration in order to have an employment opportunity with which they can support

Figure 5. Change in nominal house price, annual percentage change. Source: EMF 2019.



their family in repaying their debts. This was a quite common strategy of Hungarians after the 2008 crisis.

When a crisis hits, households typically move away from formal market solutions for securing their housing. They look for cheap, sometimes informal or semi-formal housing solutions, and start relying more on broader family networks (Gagyí and Vigvári, 2018). This can be seen as a process of de-financialization, but often does not result in securing adequate housing. Also, these strategies cannot be understood independently from housing financialization, since they are a reaction given to the consequences of an increasing financial logic in the domain of housing.



2

INSTITUTIONAL CHANGES IN HOUSEHOLD LENDING: TRAJECTORIES OF THE EUROPEAN PERIPHERY

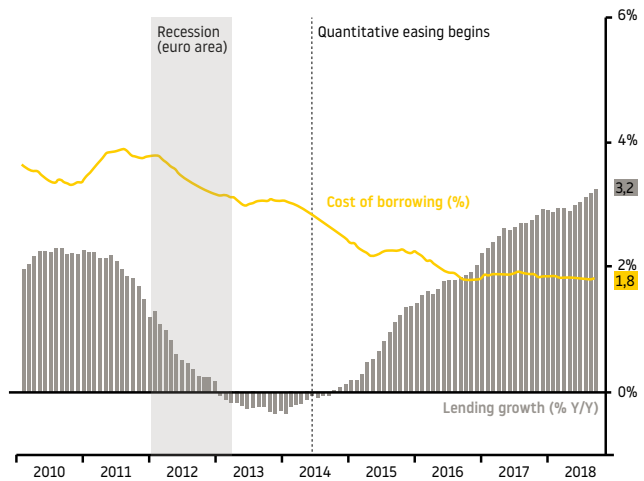
This section aims to highlight the institutional changes related to household lending on the peripheries of Europe in the decade before and after the financial crisis of 2008. The crisis was an important turning point in many ways. From about 2000 onwards, the Eastern periphery of Europe was quickly integrated into a European-wide regime of increasing household debt, as in the South it had already happened earlier. This primarily happened through banks in Western ownership. Following the crisis, this structure of housing finance was questioned – in some countries more extensively than others. As a result, there were important institutional shifts in the ways in which governments steered access to housing and household consumption in general, but also how financial institutions navigated the post-crisis market.

High homeownership rates have been a prevalent form of housing in most peripheral states. Parallel to that, since the 1990s, the advancing EU principle of the free movement of capital, and the concomitant expansion of financial services shaped Europe's East and South. Domestic banks' reliance on foreign investment, the appearance of foreign financial institutions, and the presence of international institutions all played an important role in the financialization of housing on the peripheries of Europe. In 2008, the crisis visibly hit the peripheral economies stronger than the core.

**In 2008, the crisis
visibly hit the peripheral
economies stronger than
the core.**

Withdrawing international capital, the consequent loss of jobs and grievances around foreclosures and evictions, as well as the recollection of outstanding debts showed the far-reaching social consequences of pre-crisis overinclusive lending to households. Parallel to this, the revival of EU economies (especially those within the eurozone) was supported by different measures increasing financial liquidity. Most importantly, the program of quantitative easing (QE)³ introduced by the European Central Bank as a response to the post-crisis recession. As a result, a new pressure built up on financial markets for investing more money. In terms of household lending, this led to domestic policies and institutional reorganizations in various European countries facilitating a new rollout of credit (see Fig. 6⁴).

Figure 6. Lending gets boost from quantitative easing. Loans to households. Source: own editing based on Reuters Graphics, Thomson Reuters Datastream.



- 3 This program meant spending 2,6 trillion euros on buying the debt of European governments and corporations, as well as securities and bonds between 2015 and 2018. This flood of money was coupled with historically low interest rates. That is, keeping the costs of borrowing low and disincentivizing savings while channeling available money into investments. A new wave of QE is being introduced by the ECB in 2020 in response to the recession-induced by the COVID-19 outbreak.
- 4 <https://www.reuters.com/article/us-eurozone-ecb-qe/the-life-and-times-of-ecb-quantitative-easing-2015-18-idUSKBN10B1SM>.

The drivers of the pre-crisis debt boom

The first driver of the debt boom before the 2008 crisis was the facilitation of high homeownership rates through state policies.

The first driver of the debt boom before the 2008 crisis was the facilitation of high homeownership rates through state policies. Most European states started to privatize public housing in the 1980s and offered various kinds of tax reliefs for taking mortgages, targeting first buyers, and providing other subsidies to foster private homeownership (Bohle and Greskovits, 2015). The turn to neoliberal policies intersected with the democratization of peripheral European countries, such as Spain and Portugal, but also served as the powerful alternative to the failed state socialist regimes of Eastern Europe. As part of the neoliberal turn, the shaping of urban policies has been increasingly reliant on the footloose nature of capital. Former urban politics of redistribution and service provision have been gradually replaced by new measures seeking competitiveness and economic development. While housing policies clearly differ across Southern and Eastern European countries, there are common peripheral traits.

Peripheral states also chose not to build up (or maintain) capacities to manage a big rental sector, rather, even flats built during the post-war decades were eventually sold to tenants.

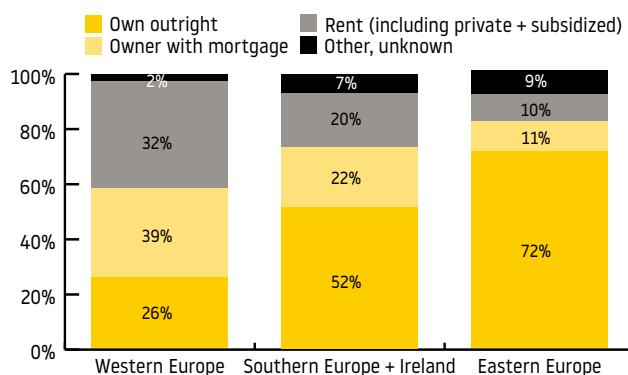
Peripheral states also chose not to build up (or maintain) capacities to manage a big rental sector, rather, even flats built during the post-war decades were eventually sold to tenants. Self-help construction after World War II was common in Southern European (and Eastern) states, governments even promoted these as solutions to amend the lack of state capacities. It is important to note that even during state socialism in Eastern European countries, the majority of homes were in private ownership, and other forms of semi-private and corporate ownership were also common. This is mainly due to a lack of state resources to provide a sufficient amount of housing. Self-help construction and individual involvement in financing housing were supported by Eastern European socialist states from the late 1970s / early 1980s onwards, and mechanisms for

state-subsidized housing credit also became popular in the 1980s. However, the final push for housing sectors based almost exclusively on individual ownership was the privatization process connected to the political and economic transformation of 1989-1990.

Public housing was transferred to private hands, as one of the first steps of the newly democratic states. The most common practice was to sell the housing units at a relatively low price to sitting tenants. Promoting homeownership instead of maintaining a wide rental sector was also a way to create political support; privatization representing an important transfer of wealth from the state to households. The process had a wide legitimation, as the post-socialist heritage included the condemnation of the state as a landlord, validating private ownership as the right solution, along with the then and now globally hegemonic ideology of homeownership (Ronald, 2008). Furthermore, it helped local governments to ease the burden of financial constraints to manage a large housing stock during the turbulent transition period.

Accessing ownership was possible without a large mortgage debt in the late 1980s and early 1990s, due to privatization at prices far below market value. The increase in homeownership was also connected to the increase of private rental prices, incentivizing people to rather apply for bank credits to purchase their homes. A variation of privatization has been using legal procedures of transitional justice to transfer (“restitute” or “reprivatize”) what used to be social housing to heirs of pre-war landlords, alongside speculators often using questionable property titles in a process of post-socialist primitive accumulation by dispossession (Kusiak, 2019).

Figure 7. Share of households in different tenure types, 2016 or latest year available. Source: OECD.



As a result of these processes, homeownership rates are very high in Eastern European countries, and also relatively high in Southern Europe (see Fig. 7⁵).

The second driver of the debt boom relates to the widespread appearance of housing mortgages. Both in the East and South, homeownership had been initially achieved by a low involvement of mortgages. This started to change from the 1990s onwards, taking a more dramatic turn during the 2000s. In Southern Europe, with the extension of credit opportunities, a tenure shift took place from non-mortgage to increasingly mortgaged homeownership, meanwhile, high homeownership rates have been sustained in comparison to rental. In some Eastern European countries, the 2000s were characterized by the rapid growth of forex loans (loans denominated in foreign currencies), providing lower interest rates than loans denominated in national currencies. As a result, there was a sudden growth of household debt, and forex mortgages started to dominate household mortgages in a mere few years, in opposition to Southern Europe that had a longer experience with mortgages – and thus, overall higher ratios of residential loans-to-GDP (see Fig 8). Along with this rapid market expansion and

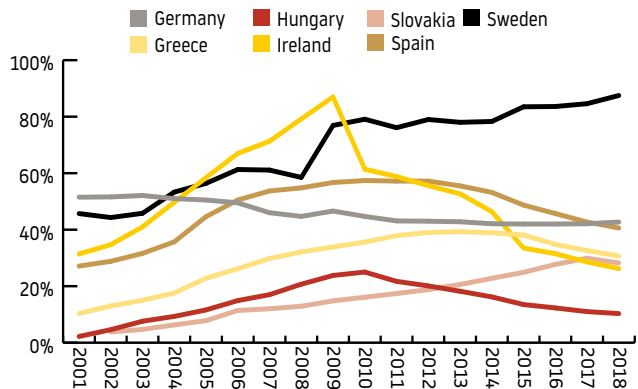
The second driver of the debt boom relates to the widespread appearance of housing mortgages. Both in the East and South, homeownership had been initially achieved by a low involvement of mortgages. This started to change from the 1990s onwards.

5 Grouping does not include data on Cyprus, Malta (Southern Europe) and Bulgaria, Croatia, Romania (Eastern Europe).

continuously relaxing lending criteria, lower-income households also had the opportunity to use mortgages to finance their housing. Parallel to that, states started to rely even more heavily on market mechanisms to secure housing for their citizens, and as a result, social programs in housing took the back seat.

While mortgage-debt-to-GDP ratios show an increase during the late 2000s in all peripheral states, in general, Southern Europe (with an exception of Italy) had a much higher percentage of mortgage products compared to Eastern European states, with Spain leading the way. However, it is important to consider the tendency of rapidly growing mortgage debt, which puts both households and the institutions of housing finance under strain. This jump in newly issued mortgages proved to be unsustainable when the crisis hit. Thus, debt-to-GDP levels started to fall in most countries after 2008 (see Fig. 8).

Figure 8. Ratio of total outstanding residential loans to GDP, selected countries, 2001-2018. Source: EMF 2019.



Characteristics of the pre-crisis debt boom in Croatia [Marek Mikuš]

After the declaration of independence from Yugoslavia in 1991, the government of Croatia in 1993 tamed hyperinflation by a stabilization program that was based on pegging the kuna to Deutschmark, and later to the Euro. This has become a permanent disinflation tool with which the central

bank guarantees price stability. However, this policy has also shaped the peripheral financialization of Croatia as it created an attractive environment for large cross-border capital inflows during the 2000s. The following prerequisites for these inflows had been gradually put in place since the mid-1990s: external financial liberalization through lifting limits on capital imports; internal liberalization through reducing central bank reserve requirements; and the dominant takeover of Croatian banks by Austrian, Italian and other Western European banks (Mikuš, 2019b). Benefitting from cross-border interest rate differentials, banks imported large quantities of capital, which have been channeled mainly into household lending. A major part of the debt boom was Swiss franc lending that enabled banks to make their credit more competitive and expand market shares while transferring exchange rate risks onto households. For banks, the main drivers of the debt boom was the high profitability of the Croatian household credit market (Mikuš, 2019a). The incentives for households included a lack of alternatives to homeownership, increasingly unaffordable housing prices, and relevant social norms, in particular an association between homeownership and socially validated adulthood. The ongoing debt and housing boom generated peer pressure and a fear of missing the opportunity to become a homeowner, which fueled the process even more. Other enabling conditions included government policies supporting mortgaging and optimism about future prosperity in the context of the ongoing EU integration and internationalization.

Third, international institutions played a crucial role in the generation of a Europe-wide debt boom. Parallel to the development of the EU, the creation of the European Monetary Union (EMU) has also added to the integration of capital markets and the banking sector.

Third, international institutions played a crucial role in the generation of a Europe-wide debt boom.

With growing competition, transnational mergers and acquisitions, banks were more prone to borrow money from international markets, increasing the overall debt. Furthermore, mortgage lending – being the core of neoliberal housing policies – was deregulated and had exploded in the 2000s, even if the levels of deregulation differ significantly across Europe.

The EU has provided several incentives throughout the last decades for the liberalization of financial markets, while the eurozone nurtured the flow of foreign capital into mortgage markets in peripheral eurozone countries. The EU initiated the integration of residential mortgage markets in 2003 “to enable EU consumers to maximize their ability to tap into their housing assets, where appropriate, to facilitate future long-term security in the face of an increasingly aging population” (European Commission, 2005, p. 3). Member states actively supported the spread of mortgages through public subsidies and the promotion of the homeownership model. Since 2007 the European Commission aimed to further reduce barriers and costs for engaging in cross-border activities, as “[m]ortgage credit markets represent a significant part of Europe’s economy, with outstanding residential mortgage credit balances representing almost 47% of the EU GDP” (European Commission, 2007).

The effects of the 2008 financial and economic crisis

The crisis hit the peripheral economies of Europe strongly, which became visible through failing market mechanisms and through the consequent grievances around foreclosures and evictions.

The failing of market mechanisms stems from three interrelated domains and their variegated effect in

The eurozone nurtured the flow of foreign capital into mortgage markets in peripheral eurozone countries.

In the outburst of the crisis, Europe's peripheries experienced a sudden stop and reversal of financial investment, which was reverted towards markets deemed to be safer havens for investment.

particular combinations: the banking system, the real-estate sector, and public-private debt (see Hadjimichalis and Hudson, 2014). In the outburst of the crisis, Europe's peripheries experienced a sudden stop and reversal of financial investment, which was reverted towards markets deemed to be safer havens for investment. In the real estate sector, this reversal of investments led to the failure of the construction sector. The previously developed high dependence on foreign credit (both public and private) also quickly became problematic as states, companies and households experienced difficulties of payment, and were brought into an even more difficult situation in countries where the local currency lost a lot of its value.

To stop the outflow of capital from the periphery back to the core, banks and states negotiated to maintain the presence of exposed banks, in order to put a halt on the loss of commitment of foreign banks. Such negotiation was the Vienna Initiative by the IMF and EBRD, which served to maintain the presence of exposed Austrian and Italian banks in Eastern Europe, preventing financial capital flight. The European Union, the European Central Bank and the International Monetary Fund intervened with a concerted effort to provide liquidity through treaties on lending: the so-called Memorandums of Understanding. These agreements primarily focused on the rescue of banks and investors, by adapting various austerity measures to state spending, wages, pensions, and by applying several welfare cuts. Further, IMF stand-by agreements over economic programs had been negotiated with Romania and Latvia to seek financial support, while in 2011 the EU introduced macroeconomic imbalance procedure (MIP) to overlook and correct macroeconomic developments.

The consequences of the crisis were devastating for most households in Southern and Eastern Europe, resulting in foreclosures and the increase of evicted households. Additionally, as a result of austerity

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Foreclosures were widespread across cities, affecting both working- and middle-class citizens, due to the loose credit requirements in the pre-crisis years and the following post-crisis unemployment.

measures, households had to deal with cuts in wages, reduced social benefits and pensions, and increasing unemployment. Former loan repayments continued to run (when, for instance, the selling price of a house on an auction did not cover the previous sum of the loan), indebting households even more. The above processes led to an unprecedented increase in non-performing loans, not just on a household level, but also among small businesses, increasing the amount of outstanding debt.

Evictions as a form of dispossession have gradually increased in number after the outburst of the 2008 crisis. As financial and real estate speculation had brought the economy to a meltdown, stalled spaces and unfinished sites became the center of attention of policymakers and politicians. The number of empty buildings and evictions was a vivid and much-felt consequence of the financialization of housing. Foreclosures were widespread across cities, affecting both working- and middle-class citizens, due to the loose credit requirements in the pre-crisis years and the following post-crisis unemployment. The poor were increasingly driven out from the cities, accompanied by anger towards evictions and the corollaries of the crisis.

Over-indebtedness of households had a direct impact on the economic stability of the banking sector, providing justification for property seizure, through foreclosures and auctions. Thus, the concentration of properties in the hands of banks, investment funds and other non-banking financial institutions has been overlooked by governments in order to be able to reconfigure the economy.

Ownership by financial institutions was typical rather of Southern European countries, whereas in Eastern Europe there was rather a lack of institutions which would be willing to become property owners and managers. For instance, in Hungary, a more common strategy was to

leave the debtor in their home but maintain pressure for the payment of the debt. When this was not successful, foreclosures and auctions did happen of course, but instead of large international financial actors, the buyers at these auctions would usually be smaller local entrepreneurs, often in some relation to the local bailiff.

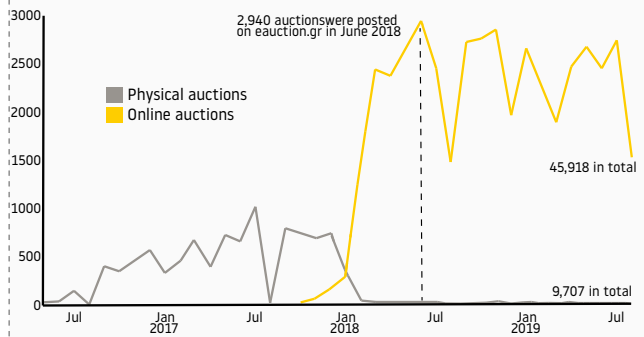
Foreclosures and the struggle against auctions in Greece [Sotiris Sideris]

Thousands of properties have gone under the hammer in Greece since May 2016, as a devastating consequence of the financial and economic crisis of 2008, and the inability of households and enterprises to pay off their outstanding debt. The circumstances that led to this result are rooted in the financialization of the economy, which started in Greece during the 1990s. Back then, the lack of social housing and economic insecurity was compensated by the antiparochi system⁶, which contributed to multiple property ownerships. These properties sometimes remained vacant in order to keep maintenance costs and tax contributions low. Without the presence of strong state intervention, housing was a form of security for safe investment and social mobility aspirations. This has gradually changed during the 2000s, and after joining the eurozone in 2001. Instead of investing in the real economy, banks started to put their money into financial assets. Through credit expansion, one channel for these financial assets became housing loans. Similar to other peripheral countries, lending became the norm for households to gain access to housing during the first decade of 2000. The burst of the speculative bubble of housing in 2008 caused

6 Small landowners offered their plot of land (or obsolete buildings) for housing developers, and in exchange, the landowner became the owner of some of the built dwellings and the rest belonged to the small developer agency. Usually, these plots were rather small in size, not the typical large-scale developments.

a severe limitation on saving capabilities and the increase of private debt, resulting in the rise of property prices and the number of vacant dwellings. Real estate during the crisis has been targeted by adjustment programs, while property taxes served to fill the hole of income for the state, putting great pressure on property owners. Auctions of private property have become a common tool to recapitalize the banking system and get rid of non-performing loans. Since 2014, the ban on foreclosures has been canceled, and the sale of foreclosed properties has been facilitated by launching an online auction platform (eauction.gr). According to research made by AthensLive⁷, the first property appeared on the site on the 18th of November 2017, and as the 2019 European Commission Report for Greece mentions, the on-line platform was first put into use as “an alternative for and [to] eventually replace the highly problematic and contested conduct of physical auctions. It has allowed for the resuming of liquidations of collateral after a long moratorium followed by a de facto blockage of physical auctions by activists throughout Greece.” The platform contains the documentation of more than 45-thousand unique online auctions, providing sensitive data on basic information such as the identity of debtors, their names and VAT number.

Figure 9. Number of auctions in Greece. Source: Athens Live.



7 <https://athenslive.gr/>.

Managing the post-crisis era: cleaning toxic portfolios for a new loan cycle

In order to clean banks' debt portfolios, the EU, ECB, and IMF initiated various credit programs. In general, EU institutions encouraged the close collaboration of banks and governments to recapitalize the banking system. The so-called Troika institutions – the European Commission (EC), European Central Bank (ECB), and International Monetary Fund (IMF) – monitored countries in economic crisis and provided country-specific suggestions for economic restructuring, which often meant the implementation of various austerity measures.

After 2015, the European Central Bank provided incentives for domestic banks to clean their portfolios from non-performing loans (NPLs) through its asset purchase program.

After 2015, the European Central Bank provided incentives for domestic banks to clean their portfolios from non-performing loans (NPLs) through its asset purchase program (European Central Bank, 2015). The old NPLs were either accounted for as losses or were sold to debt collectors to make way for a new loan cycle. The ECB, without being elected democratically, dictates monetary policy for all EU countries and has also influenced policies concerning wage, labor and privatization policies.

Furthermore, in June 2018, the European Central Bank announced in the framework of the single supervisory mechanism (SSM) that the banks of the countries of the eurozone could not exceed 20% of NPLs by the year 2021, being less than 10% in the following year of 2022. That being stated, for financial institutions two roads were possible: either continuing and increasing debt enforcement proceedings including foreclosures at the end of the process, or selling NPLs to various investment and vulture funds or debt collector companies (who then have the possibility of trying to collect the outstanding loan from the debtor). The role of the ECB sheds light on how these seemingly technocratic mechanisms actually

covered highly political decisions, cleaning up the toxic real estate assets of banks' portfolios.

Debt collector companies⁸ have increased in number and have grown in size after these decisions, focusing on varying business models. The larger international ones (typically from wealthier EU countries) follow a European strategy and operate mainly on European markets. Some examples of the largest European debt collectors are Swedish companies Intrum (European market leader since its merger with Norwegian Lindhoff in 2017) and Hoist⁹. One of the major actors focusing specifically on the Eastern European region is Czech company APS. Defaulting housing loans became a profitable market to invest in, hence the debt collector market grew rapidly. Buying claims of mortgages also meant that these companies developed or expanded their branch of activities specialized in collecting collateralized debt (that is, debt secured by real estate). Previously, many had only dealt with company debt and non-collateralized household debt (that is, bill arrears and smaller consumer loans). Thus, debt collection became a new form of investment in the housing markets of European peripheries, and also of capital extraction from households. In addition to the original debt, penalty interest rates and various charges could even multiply the original debt (Mikuš, forthcoming). Debt collectors could become key players in markets where formerly risky loans have been extensive. Therefore, debt collection focusing on household loans can be seen as more characteristic of peripheral Europe. Outside of Europe, the United States is a very big market of debt collection, and some Asian markets (such as Vietnam) are also starting to be penetrated by these global companies. Their practice is

Defaulting housing loans became a profitable market to invest in, hence the debt collector market grew rapidly.

8 The basic business model of debt collector companies is to buy up outstanding debt from companies for a fraction of their worth and try to gain profit by enforcing the repayment of these loans.

9 <https://www.reuters.com/article/uk-europe-debtcollectors/debt-collectors-make-europes-bad-loans-pay-again-idUKKBN1950G3>.

controversial because, on the one hand, debt collectors can offer more room for negotiation to debtors, but on the other hand are more specialized and focused on extracting money from people that banks gave up on and passed to the debt collectors, which often speeds up the process of foreclosure. According to a recent report by Finance Watch, debt collection malpractices are widespread and violate the human dignity of debtors¹⁰.

The cleaning of the debt portfolios has been followed by further difficulties in access to housing for citizens.

The cleaning of the debt portfolios has been followed by further difficulties in access to housing for citizens in two ways. First, the appearance of international investors and vulture funds on the housing market after the crisis (the most well-known, Blackstone, one of the world's largest private equity funds) led to a new wave of speculative real estate development, where prices increased particularly for private rental housing. The formerly individually owned homes have been bought by these investors after their foreclosure and turned into rental properties. Second, after the clearing of toxic portfolios, a new round of – socially more selective – loans have been introduced to yet again deepen citizens' reliance on debt.

Differences in the pre-crisis and post-crisis credit cycles in Hungary [Zita Fellner & Anna Marosi]

Before the crisis, several factors contributed to the build-up of vulnerable lending in Hungary. Overinclusive lending started from 2001 onwards when mortgage rate and interest rate subsidies led to excessive HUF credit-demand. After 2004, the HUF loan terms were tightened as state subsidies for this form of housing finance were stopped and intense demand was moving towards forex-based loans, which offered more favorable interest rates. As a result of heated bank competition for new markets,

¹⁰ <https://www.finance-watch.org/debt-collection-europe-could-end-unjustifiable-and-wide-spread-malpractices/>.

the terms of lending loosened and the share of less creditworthy customers increased over time, coupling with regulatory deficiencies: missing prudential and consumer protection measures, and “adjustable interest rate” mortgages that allowed banks to make unilateral changes to their customers’ contractual interest rates subsequently.

During the outburst of the crisis, forex loans showed the largest default ratio (especially home equity loans). Households’ repayment burdens increased as a result of the depreciating forint, but also due to “adjustable rates”: banks counterbalanced their higher losses by applying higher interest rates on household debt. As a consequence, regular monthly repayments increased significantly, by 50% to even 80% in some cases.

In the new post-crisis cycle of loans after 2015, new certified housing loans became available, where fees applied before disbursement and prepayment fees have been capped, providing no hidden costs. A shorter deadline has been taken to evaluate the loan applications, moreover, interest rate fixation had to last at least 3 years, with a maturity of a maximum of 30 years. However, due to the debt cap macroprudential rules that aim to prevent overindebtedness, banks tend to apply rather strict scoring criteria, thus access to these safer loans is generally limited to households with higher income and long-term employment – which excludes many households.

New subsidies for home acquisition (the Home Purchase Subsidy; distributed according to the number of children a family has or promises to have in the future) and loans with state subsidies have been introduced (to go with the Home Purchase Subsidy, and the Prenatal baby support, which is basically a very large consumer loan with favorable conditions).

These instruments were intended to restart lending to households. In the beginning, wealthier customers entered these schemes, mainly for housing purposes, but loan refinancing and investment aims also played part in taking these loans. Hence, housing loans still remained a privilege of upper-class citizens, thus the less well-off face unsatisfied loan demand. Due to the clearing of bank portfolios, lower-income households remained indebted not to banks, but to debt collector companies instead, which also meant that there was a loss of information on how these households managed their debts afterward.





3

BEYOND MORTGAGES: VARIOUS FORMS OF NON-MORTGAGE DEBT

The combinations of international trends and domestic responses to the crisis led to different pathways in housing financialization during the past decade. This chapter focuses on the effects from the perspective of households, considering the different forms of indebtedness: besides mortgage debt, the chapter covers the issue of consumer loans, arrears in utility bills and informal moneylending practices as other sources of debt. Although mortgages are the most visible and most often mentioned form of household debt, in reality, other forms are highly prevalent and have been increasing in recent years, especially among lower-income households.

The increase in living costs materializes in several ways in terms of housing indebtedness. Besides mortgages, which are the most obvious channel, consumer credit also plays a more and more important role in financing housing purposes, despite their higher interest rates and more risky nature. These credits often provide an opportunity for poorer households to access additional sources to cover their monthly budget; serve as the part of own capital, which needs to be provided for a mortgage; or serve to finance renovation costs. Besides loans, the rise of utility costs in the last decades compared to household income also had a large effect

on the risk of becoming indebted through late payments and related penalty fees. Finally, informal moneylending often serves as a last resort for emergency situations among the poorest households, implying a great risk for households to fall into a spiral of debt.

Growth of consumer loans and personal loans

Several measures have helped households to leave behind a part of their debts, but it has been a highly unequal process, as mostly better-off households could get rid of their loans completely.

Rapid household debt expansion is often followed by a stark economic downturn and leads to financial crisis. Some Southern and Eastern European governments targeted over-indebtedness after 2008 with various policies, not necessarily providing specific services for the indebted households, but more generally through the enhancement of employment, poverty reduction, and welfare policies (such as unemployment benefits, social housing, or childcare benefits). Several measures have helped households to leave behind a part of their debts, but it has been a highly unequal process, as mostly better-off households could get rid of their loans completely, while poorer ones have been left indebted without any significant help.

As low-income households have been excluded from the new cycle of mortgage loans in the post-crisis period due to the introduced stricter conditions, they had to rely more and more on risky and expensive consumer loans. These are easier to acquire and can be used to cover various housing-related costs such as paying rent or small renovations, covering household appliance purchases or even deposits. Although consumer loans might offer a temporary solution to households, they may hold an even larger risk of a permanent debt trap.

Yet, the widespread insolvency of households that resulted in thousands of auctions and evictions, should not have occurred. Many households have

become indebted due to the lack of alternatives for secure housing. Rental markets have been gradually deregulated, or, more precisely for peripheral European countries: have never been regulated, and renting often became a more expensive option than buying. Instead of promoting incentives that facilitate the indebtedness of households, governments should have developed affordable housing solutions beyond individual ownership. This would have meant that the risks of providing and financing housing are borne by larger institutions and not by individual households.

Lessons from an inadequate debt cancellation policy in Slovenia [Ajda Pistotnik]

The debate on debt cancellation after the crisis has been a more and more discussed idea within the EU, as a possibility to survive periods of debt crises. In Slovenia, the focus was put especially on housing debt cancellation, which has been promoted by the newly formed United Left oppositional political party since 2014, when the party entered the Slovenian parliament. The proposition was then offered by the Ministry for Work and Social affairs that was headed by the Social democrats (one of the coalition partners in the government). It introduced a bill that would write off debt for the poorest households. Instead of proposing a systemic improvement, the idea behind the bill was to offer a one-time debt relief for the financially most distressed households. The initiative offered a single voluntary debt cancellation. Not only the cancellation has been voluntary, but the amount limit remained a suggestion as well. As a result, this debt relief mechanism did not reach the needed impact.

According to the 2014 study of the Statistical Office of the Republic of Slovenia, 37% of households experience housing costs as a heavy burden, while 24% struggled with at least one late repayment

(Pistotnik, 2015). The debt relief program included 120 voluntarily joined municipalities (out of 212 total). Besides the Ministry for Labor and the Financial Administration, 93 companies participated, ranging from insurance companies, utility companies, property management companies to banks (Pistotnik, 2015), covering a total amount of €1,976,221.

As the creditors are legal institutions, offering debt relief to their debtors seemed to be a logical choice, since they would benefit from tax reliefs in the form of deductible expenses. Therefore, the focus of how debt cancellation was presented was on legal institutions and improving their financial situation, instead of on the welfare of households.

The main disadvantages of the debt relief program were the unequal territorial help due to the measure's voluntary nature, and the high dependence on the creditor's financial capacity. Many people couldn't participate in the debt relief program, as conditions were often too strict and the time period for the write-off remained vague. Since the introduction of the bill in 2015, followed by the participation of the above legal entities, there has been no significant increase in the number of beneficiaries, also because of the one-off nature of the measure.

Altogether, more systematic interventions are necessary in order to negotiate the debt of households and to bring the political nature of this debate to the surface.

The stigmatization of consumer loans among the poor

While the number of newly disbursed consumer loans accelerated similarly to housing loans in the pre-crisis years, it significantly reduced during the years of the

Between 1995 and the peak of 2008, consumer credit went over an even more radical development than mortgage loans, expanding by 150% in Europe.

crisis due to higher flexibility and income sensitivity. Furthermore, as criteria are generally looser for consumer credit than mortgages, and because higher interest rates are attached to these riskier loans, consumer credits much more easily went default. Between 1995 and the peak of 2008, consumer credit went over an even more radical development than mortgage loans, expanding by 150% in Europe (Chmelar, 2013). Thus, access to short-term loans played a crucial part in European households' portfolios during the credit boom years.

As restrictions on mortgage lending became more prevalent after the 2008 crisis, consumer loans received larger attention. Personal loans may provide an alternative to mortgage loans in the case of lower value properties, and they have been issued not only by banks but other non-bank financial institutions that followed a business model that allows riskier clients. However, households with mortgage loans are also more prone to take consumer loans: the increase of mortgage credit had an effect on consumer loans as well. Consumer loans often serve as a means to cover housing-related costs, especially among the poorer households. These loans may function as a basis for covering downpayment in mortgage applications, or cover household renovation and refurbishment, or buying household appliances. Often consumer loans are taken to cover another loan's repayment, or a deposit for housing, filling holes in the household's budget.

From the boom of consumer loans to widespread debt executions in Czechia [Lucie Trlifajová]

In Czechia, homeownership functioned as a state-subsidized road to economic security, with an absence of foreign currency mortgages in the pre-crisis years. When mortgage loans were introduced, it was mostly directed towards middle-income groups. The 15 golden years of consumer loans started in 2001 when debt collection became privatized, favoring

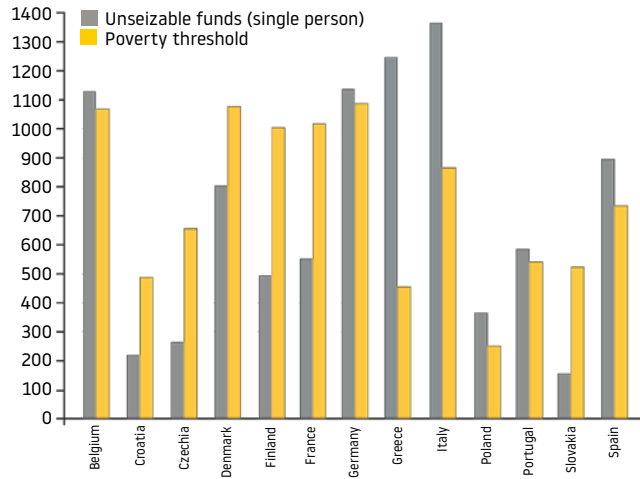
one interest group (a network of actors ranging from public institutions, lawyers, private debt collectors, and politicians) over an extremely lucrative business. Consumer loans had a lack of regulation until 2015, where non-banking institutions had no registration obligation. The business model of debt collectors was based on the clients' inability to repay their debts, hence realizing high profits through high interest rates, interest on arrears, and penalty fees. This has led to a large part of the Czech population being under execution processes for their debt, which means that they lose a significant part of their monthly income to the bailiff.

In relation to debt, two debates have been dominant: while mortgage debt is seen as a confirmation of individual responsibility and success, the stigmatization of consumer loans and over-indebtedness is seen as a sign of inability to live up to society's (neoliberal) expectations, and these debtors have been excluded from access to fundamental rights and protection. Predominantly this narrative frames the poor in general and the Roma in particular. This internal hierarchization is related to changing labor market conditions, and to how this is translated into the rights of citizens.

Often, the income seized from debtors by bailiffs leaves them with less money than the national poverty threshold. According to Finance Watch, this is the case in Croatia, Czechia and Slovakia, among other European countries (see Fig. 10¹¹). As a result, many debtors fall into a poverty trap.

11 https://www.finance-watch.org/wp-content/uploads/2020/01/Report_Human-dignity_final_with-annex.pdf.

Figure 10. Limits on funds (in euros) that can be seized from debtors through debt execution. Source: Eurostat, Finance Watch.



Arrears on utility bills and the growing energy divide

Arrears on utility bills have been one of the many ways the 2008 crisis had an overwhelming effect on household indebtedness, affecting the daily life of families across Europe. Energy poverty describes the condition when a household experiences “the absence of socially and materially necessitated levels of energy services” (Bouzarovski and Petrova, 2015, p. 35). With the rise of the crisis, such vulnerabilities came to the fore even more visibly, stemming from a combination of structural inequalities, rising energy prices, poor housing conditions, and inadequate policies to tackle the issue.

The crisis focused attention on the growing energy divide of European households, which has been an increasingly discussed and acknowledged issue on a European level. A significant difference is visible among households both in spatial and social terms (Bouzarovski and Tirado Herrero, 2017), where Southern and Eastern Europe report a higher percentage of energy poverty; and deprived households across Europe are increasingly unable to meet their basic energy needs.

Many households reduce their energy consumption to heat only one room in the dwelling or resort to risky coping strategies for domestic heating.

Throughout Europe, the energy performance of most standing buildings is inefficient according to modern requirements. Despite a range of opportunities for households to heat their dwellings, 7% of citizens in the European Union are unable to keep their homes adequately warm¹². As a result, many households reduce their energy consumption to heat only one room in the dwelling or resort to risky coping strategies for domestic heating, such as burning inadequate, polluting fuels (e.g., textiles or lacquered wood) in unsuitable devices such as old stoves. These practices may lead to health issues.

Across Europe, every tenth citizen was having trouble with paying their utilities on time in the worst years of the 2008 crisis.

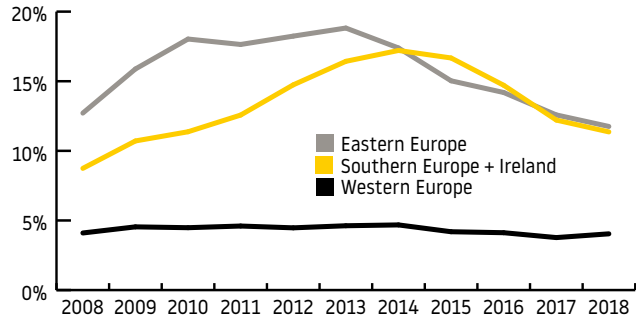
The crisis has caused an increase of arrears and the non-payment or late payment of utility bills. Across Europe, every tenth citizen was having trouble with paying their utilities on time in the worst years of the 2008 crisis¹³ (2012-2013) with significant core-periphery differences that persist. Data of the European Observatory of Energy Poverty indicate large percentages of the population in countries of Southern and Eastern Europe – e.g., Greece (36%), Bulgaria (30%), Serbia (28%) and Croatia (17%) – with arrears on utility bills in 2018¹⁴ (see Fig. 11). Unaffordable energy bills can also be seen as one of the elements of high living costs leading to indebtedness. Still, the lack of systematic data and indicators on household indebtedness and disconnections downplay their importance as energy poverty dimensions.

12 Inability to keep home adequately warm - EU-SILC survey: https://ec.europa.eu/eurostat/web/products-datasets/product?code=ilc_mdes01.

13 Arrears on utility bills – EU Energy Poverty Observatory: <https://www.energy-poverty.eu/indicator?primaryId=1462&type=bar&from=2013&to=2014&countries=EU,AT,BE,BG,CH,CY,CZ,DE,D-K,EE,EL,ES,FI,FR,HU,HR,IE,IS,IT,LT,LU,LV,MT,NL,NO,PL,PT,RO,RS,SE,SI,SK,UK&disaggregation=none>.

14 Arrears on utility bills – EU Energy Poverty Observatory: <https://www.energy-poverty.eu/indicator?primaryId=1462&type=bar&from=2018&to=2019&countries=EU,AT,BE,BG,CH,CY,CZ,DE,D-K,EE,EL,ES,FI,FR,HU,HR,IE,IS,IT,LT,LU,LV,MT,NL,NO,PL,PT,RO,RS,SE,SI,SK,UK&disaggregation=none>.

Figure 11. Arrears on utility bills, percent of households.
Source: Eurostat.



Penalty fees and interests further increase the amount of arrears. In certain cases, households can rely on a protected consumer status, which temporarily keeps them from being disconnected from the service. However, even in these cases the debt still increases and can lead to debt enforcement on their income, or at the end of the process can also lead to the loss of the home.

Household debt is a key aspect of energy poverty, having an uneven effect: bad housing conditions often paired with higher energy expenditures, as bad insulation or inadequate energy provision in dwellings can increase the costs of utility for the most in-need households.

Utility debt, disconnections and collective action in Barcelona [Sergio Tirado Herrero]

Hundreds of thousands of Spanish citizens do not have secure access to regular energy supply due to late or non-payment of bills and indebtedness with utility companies. Data from the Spanish Survey on Income and Living Conditions indicate that more than 900,000 people had their energy supply interrupted at least once during the year 2016 due to “household financial difficulties”. These account for self-disconnections (e.g., households “voluntarily” canceling supply contracts or going without pre-paid butane gas cylinders when needed) and for supplier-enforced cut-offs following arrears and indebtedness (Tirado Herrero et al., 2018). On top of that, an undetermined number of people living in irregular

housing conditions with whom utility providers refuse to sign service contracts are excluded from legal access to domestic energy and water.

The growing visibility of energy poverty had much to do with the 2008 crisis and its aftermath, revealing hardships of vulnerable households in the dramatic increase of utility arrears and service cut-offs. In response, advocacy and civil society organizations adopted energy poverty as their central claim, criticizing the unfair practices of large energy corporations and their resistance to state and civil society action to support customers in need. The Alliance Against Energy Poverty (Aliança contra la Pobresa Energètica, APE), a network of citizens affected by energy poverty and activists founded in 2013, has called attention to the rising problem of energy and water poverty. Transforming their voice into direct action, the social movement has successfully re-politicized the issue of energy poverty, leading to the prohibition of electricity, water and gas cut-offs for households at risk of housing exclusion by Law 24/2015 of the Parliament of Catalonia in 2015.

By creating a community of mutual support, APE helps to reclaim agency for vulnerable households against more powerful state and corporate actors. The majority of participants at APE's bi-weekly collective advisory assembly are in deep energy poverty, either having been disconnected, or having outstanding debts with utility providers, or being threatened with disconnection. Many of its participants face an insecure housing situation as well, either in danger of being evicted or living in social housing or occupying dwellings formerly vacated by banks and other financial institutions.

The experience of APE provides evidence for the potential of collective action, being able to transform

individual vulnerable conditions into a network of solidarity and resistance, creating a possibility to break the previous limitations of policy discussions about household debt and utility disconnections. Despite progress, challenges persist. Accumulated household debt for water, electricity and natural gas remains a growing, unsolved issue as utility providers refuse to write off debts accumulated by vulnerable households protected from disconnections by Catalan Law 24/2015.

Informal moneylending on the periphery of society

Indebtedness as a global phenomenon has attracted much attention both in public discourses and in academia since the 2008 crisis, but lesser attention has been paid to the financial portfolios of the poor and the complexities of usury or informal debt. The term usury refers to the exploitation of unequal bargaining power, placing one party in excessive obligations towards the other. In individual cases, it is a purposeful exploitation of misfortune or weakness both on a legal and moral basis. However, looking at usury as a systemic problem, it can also exist in the form of social discrimination, characterizing a social group that faces over-indebtedness or poverty, and lack any alternative to solve these problems other than turning to usurious contracts. Nevertheless, informal practices of moneylending are often seen as an act of help, translating into a kind of favor or act of solidarity among a community where other forms of institutional help are absent (Palomera, 2014).

Turning to informal moneylenders characterizes a social group that faces over-indebtedness or poverty, and lacks any alternative to solve these problems other than usurious loans.

One of the key trends behind the crisis was the financialization of housing, and low-income groups were also systematically incorporated into the financial system, in order to have access to basic necessities

such as housing and other durable resources. Embedded in this social context, usury as a form of informal moneylending serves as an alternative to the formal micro financial system where there is a dire need for personal small loans on the one hand, but also serves as a flexible, innovative response to a lack of wage or income-generating opportunities in the search for social mobility opportunities on the other hand (Durst, 2015).

The debt trap beyond formal institutions: usury lending in Hungary [Judit Durst]

After the collapse of state socialism in Hungary, a “peculiar kind of flexible and petite capitalism” (Durst, 2015, p. 51) came into being in the economically more disadvantaged regions of the country, representing high rates of unemployment and low incomes. One of the greatest victims of such changes was the Roma population, being over-represented among both the poor and unemployed, living in deep deprivation compared to the total population.

Popular discourse in Hungary often blames the poor for their indebtedness due to their lack of financial literacy and “living in the present”, and even civil society experts often express concerns about their lack of planning ahead in regard to their borrowing practices. Few discourses can be found that are empowering rather than victimizing the poor in such circumstances. To counter these prejudices, several authors emphasized the complex portfolios of Roma citizens, living under highly unstable circumstances and sporadic income opportunities (Durst, 2015; Gosztonyi, 2017).

Even though a zero-tolerance law has been passed in 2011 about usury in Hungary, facing immediate imprisonment, it did not treat the problem at its roots. The main reasons of informal lending stem from two key aspects of indebtedness: the



colony¹⁵ dissolution programs where Roma families were moved into self-contained housing, but also faced increased utility costs for which they had no additional sources to cover these expenses. The other factor of indebtedness relates to the withdrawal of welfare services and the parallel expansion of punitive measures by the state, such as giving fines for illegally collecting wood for heating during winter months.

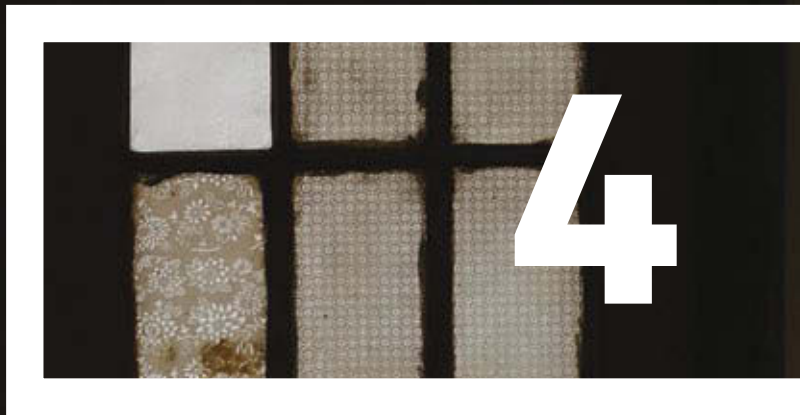
Regarding informal lending practices, the main actors are moneylenders who provide loans to the poor at high interest rates. These moneylenders are often local municipal employees or neighbors, who are able to “help” indebted citizens in cases of emergency. The decentralization of welfare governance resulted in the increase of the power of local governmental

¹⁵ Colonies are segregated living environments, where dwellings are in a badly degraded condition and lack a sufficient comfort level.

actors, such as mayors and their familial circles. As a consequence, these actors are able to exploit their power and manipulate the public work scheme and the House Purchase Subsidy (distributed according to the number of children a family has or promises to have in the future) in a way to acquire cheap properties in the village, which can be used as private rental housing for the local poor households. Establishing and strengthening political clientelism through these mechanisms allowed local mayors to regulate the settlements and their vulnerable citizens. Here, loans are only able to alleviate everyday crises, but also create a dependency towards the creditor, reconfiguring financialized relationships even in the poorest regions.

The above-discussed sources of household indebtedness and types of non-mortgage debt can eventually all lead to the loss of housing, and are often closely related to the incapacity to repay mortgage loans. From a public policy perspective, it is highly problematic that information about these types of debts and how the various forms of indebtedness are combined on a household level are not available for analysis.





THE IMPLICATIONS OF DEBT FOR HOUSING

The study of debt and financialization from a structural perspective has gained increased attention in the post-crisis years, but also cultural approaches focusing on discourses and narratives around housing have been placed in the center of social science research. The present chapter highlights both developments in terms of research on housing and financialization. First, we discuss debt as part of capitalist accumulation, highlighting how social movements incorporated structural critiques in their resistance. Second, we highlight the “soft side” of financialization, how it changes narratives and moral imaginaries about everyday life and perceptions on lived experiences of indebtedness.

Debt as a form of accumulation by dispossession

Dispossession materializes once someone loses their means of livelihood, becoming deprived of either place, home, or citizenship. It has been orchestrated through mechanisms of capital accumulation, commodifying urban space in modes that have not existed before. The mechanism of “accumulation by dispossession” (Harvey, 2003) commodifies property markets in a way that it creates a conflict between housing as a basic need, be-

ing part of social rights, and housing as a speculative good that is rather looked at as an asset with an exchange value that facilitates capitalist accumulation. Considering housing, the 2008 financial crisis revealed how housing and finance are connected in manifold ways through the logic of investment funds and banks, the securitization of credit, or debt collection mechanisms and foreclosures. Furthermore, the role of states has been considerably reshaped in managing real estate markets.

A movement response to a rising number of evictions in Serbia [Ana Vilenica]

In Serbia, to have access to loans, an individual's total asset serves as collateral, which means in many cases their privately-owned houses and apartments are accounted for credits even if it is not a personal mortgage loan. During the crisis, before massive evictions have started, the eviction procedure was privatized in 2011. Previously, public court bailiffs were managing the evictions, but because of "inefficient enforcement", legislative changes made it possible to employ private bailiffs by the creditor. This measure has been adopted by the center-right Democratic Party government, responding to the pressures coming from the European Union.

While subsidized housing paid by workers' monthly payments was around 50% in Yugoslavia, during the early 1990s a state decision allowed public companies and state institutions to sell off these societal flats. Housing funds slowly ceased to exist, and as a result of the transition, Serbia today has a very high ratio, 98%, of homeownership. As in other post-socialist countries, owners are often fighting poverty, and struggle with increasing utility and maintenance costs. As a consequence, in the course of years, many households accumulated debt, aggravated by the effects of the crisis.

With another legislative turn in 2016, private bailiffs were renamed “public bailiffs”, while the control of evictions and irregularities in the procedure are now in the hands of bailiffs themselves instead of the court. At the beginning of 2019, bailiffs were assigned around 300,000 individual cases of debt according to information held by the Public bailiffs’ chamber and other creditors such as public utility companies and telecommunication companies. The privatization of bailiffs gave rise to a new mechanism enabling profit-making from evictions through real estate seizures and auctions.

These changes didn’t go unanswered. The first individual acts of resistance led to the growth of a nationwide movement, and an organization, called the Roof¹⁶, that stands at the forefront to fight for housing justice (Vilenica and Pantović, 2019). Years of intensive street mobilization pressured the government to react, and the Law on Enforcement has been changed in the summer of 2019. However, it has been done so without public participation. Instead of trying to address current grievances of the processes of eviction, the state chose to criminalize actions of solidarity, by increasing fines for the obstruction of the eviction procedures. The narrative message of the law is to discourage people from resisting and fighting for social justice, while the state chose to protect bailiffs and creditors instead of its citizens.

Households mainly just encounter private companies in their struggle with debt: first the financial institution or utility provider, then the debt collector, and finally the private bailiff.

The engagement of private bailiffs is a pattern that is common to some peripheral countries of Europe. The institutional framework for debt enforcement described in the Serbian case is also similar in Hungary and Croatia. Households mainly just encounter private companies in their struggle with debt: first the financial institution or utility provider, then the debt collector, and finally

¹⁶ <https://zakrovnadglavom.org/>.

the private bailiff (engaged by the state and thus having more legal possibilities). This means that, with the lack of state intervention and state institutions for managing cases of over-indebtedness, these situations are handled only according to market logic.

Moral imaginaries of homeownership and debt

From a cultural point of view, the mortgage contract can be considered a novel configuration for combining social and market ties. The financialization of housing is not only enacted in structural constraints, but also builds on forming moralities around capitalism as a process, and how debt, property, and citizenship relate to each other. Mortgage creates new types of economic productivity, but also new risks and forms of wealth, reshaping relations and intimate lifeworlds.

First, mortgaged households are embedded in the social production of space where spatial and temporal reordering takes place as processes of suburbanization, transnational circuits of foreign-currency lending, and changing cityscapes through large-scale developments. Second, the financialization of housing transforms family relations based on the decisions made around



loans, how budgeting in a household is decided, or how it affects intergenerational transfers. Third, financialization rearranges classes and politics in regard to the household's market position, to its members' life-chances created or constrained by variegated levels of housing debt, and in regard to how they relate to social movements, or pursue legal action (Lewicki, 2019).

Young households who do not have access to intergenerational transfers (financial support from their parents) take more mortgages in order to secure their housing.

A common example of how the above processes interlink is the complementary nature of mortgages and intergenerational transfers for the property acquisition of young households. For instance, in Hungary, young households who do not have access to intergenerational transfers (financial support from their parents) take more mortgages in order to secure their housing (Székely, 2018). Thus, those who are in a less stable financial situation to begin with (since their parents cannot support them) typically get more indebted at the beginning of their working lives. When they do not have a long enough work contract or high enough income, it had been common for their parents to act as guarantors or to use their parents' house as collateral. This way of drawing family into financialized relations has caused the eviction of many elderly from their homes in the aftermath of the crisis.

A Polish example of how mortgages shape relations within the family [Mateusz Halawa]

Eastern-European peripheral cities have experienced the spread of new mortgage lending in the first decades of the century. These contracts have been forging social ties, reconfiguring actors, resources and cultural meanings attached to mortgage, constituting a new kind of "mortgage sociality". The term refers to the phenomenon of the financialization of citizenship, rooted in indebtedness, individual risk-taking, and private housing property as the means for social mobility towards a post-socialist middle-class identity. Mortgage plays an increasingly significant

role in generating moral discourses on monetary gains and losses, how the future is imagined for either individuals and families or even cities and national economies. The everyday process of managing financial constraints have been explored through an ethnography among young Polish couples (looking at how mortgage shapes their lives and moralities.

The mortgage is domesticated into affective relationships and the financial sector is able to harness the informal, gendered work of social reproduction. Mortgagors and their families undertake relational work in order to service the mortgage and shape their household money to match values and aspirations, involving also the management of financial instruments. The rise of the mortgage culture among middle-class households becomes the instrument to create a new ideal of an autonomous household, pursuing freedom from work by treating housing as a real-estate investment. Moreover, the autonomous gesture of becoming independent is bound up in matters of managing transfers from parental households: the unaffordability of housing plays a central element in narratives about an imagined good life. As Olcoń-Kubicka and Halawa (2018) show, the moral imaginary around money and finances often focus on family wealth from a multigenerational perspective. Being supported by parents to take a loan pairs with ideals on social mobility: taking a mortgage is a decision based on the idea that their children won't have to. Finally, everyday ethics is increasingly embedded in digital practices, meaning that softwares are increasingly becoming actors in decisions on household relational work: managing expenditures, discussing financial patterns, mortgage options or holidays. To conclude, even though popular discourses of family, intimacy, and a good life are spheres still imagined as untouched by market mechanisms, the research

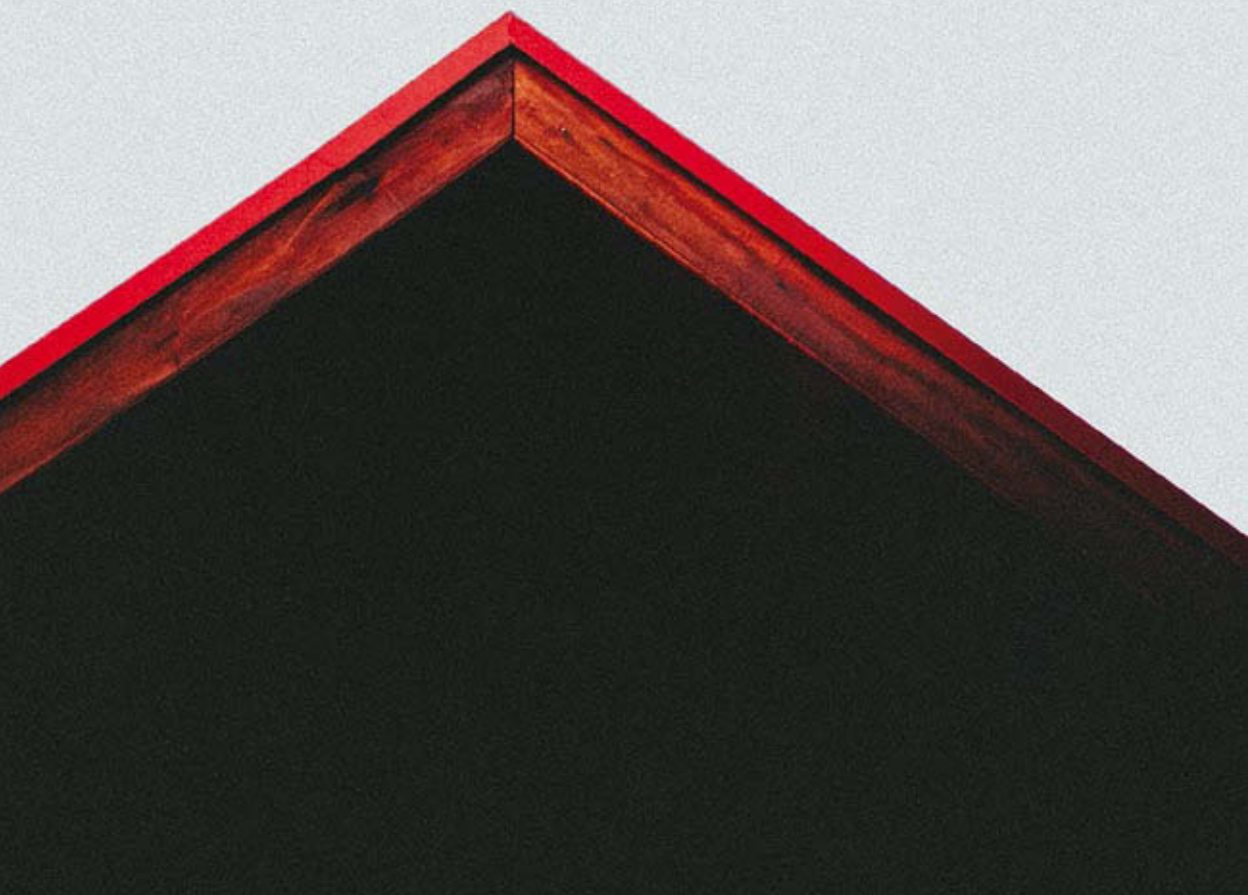
showed that under late capitalist financialization of the peripheries these notions are being transformed in relation to economic pressures and neoliberal imaginaries.

For better-off and middle-income households, access to cheap mortgages is a way to leverage their wealth and to improve living conditions, while for lower-income households debt is not necessarily a possibility, but something they are pushed into as the only way to secure housing for themselves.

The struggle of households related to indebtedness has come to be inherently linked to the struggle for decent housing.

Altogether, debt has come to be inherently linked with access to housing on various economic and social scales. From a macro perspective, investing in housing through the debt of individuals has become a form of investing surplus capital on financial markets. For states, pushing for more debt is a way to spur housing production without needing to invest much public resources in housing provision. For better-off and middle-income households, access to cheap mortgages is a way to leverage their wealth and to improve living conditions, while for lower-income households debt is not necessarily a possibility, but something they are pushed into as the only way to secure housing for themselves. For many households, different forms of debt (with personal and consumer loans gaining importance) related to various housing costs are intertwined and lead to a debt trap, with the threat of losing their home altogether. The poorest households can typically only access the riskiest and most expensive segments of formal lending, or often revert to informal moneylending practices in order to cover their housing costs and other expenditures. Thus, the struggle of households related to indebtedness has come to be inherently linked to the struggle for decent housing.

5



FORMS OF INTERVENTION AND POLITICAL DEMANDS RELATING TO HOUSEHOLD DEBT

Various interests relating to debt

The debt of households is a decisively political issue, in which many different interests come together, and there are also significant power dynamics to consider. In order to intervene in situations of over-indebtedness of households, these different interests need to be accounted for.

From the investment perspective, there are various actors interested in increasing the total volume of outstanding debt to households. This includes international institutions such as the European Central Bank and large international financial corporations. For them, more lending to households is a way to safely invest more available capital. However, financial institutions also want to avoid lending under too risky circumstances, since this leads to the default of many loans. Thus a contradictory situation develops where these institutions will strive to put out as much credit as possible to households which are as risk-free as possible. As a result, some have access to loans with very favorable conditions and will experience the benefits of a global flood of money, while others' credit applications are systematically refused.

When a crisis hits and many loans start defaulting, financial institutions will be interested in clearing their

portfolios of defaulted loans relatively quickly – which is where debt collector companies step in. Debt collection very plastically shows how the debt of households has become a significant market in the years following the 2008 crisis. The legal structures protecting the interests of creditors and making sure they have a way to claim their money are important prerequisites for debt to function as a market. These legal frameworks include the possibilities of debt executions, foreclosures and evictions.

It is important to push for different forms of debt relief and debt reduction because otherwise the income of households (which is anyway often reduced in periods of crisis) will keep being channeled towards large financial actors.

On the other hand, periods of crisis also open opportunities for this market-based framing to be questioned. These are periods when more pressure can be put on financiers and debt collectors for renegotiating the terms of repayment. Thus, with sufficient self-organization and pressure from the debtors in difficulty, periods of crisis can be turned to their benefit. It is important to push for different forms of debt relief and debt reduction because otherwise the income of households (which is anyway often reduced in periods of crisis) will keep being channeled towards large financial actors. When there is a crisis situation, there is a chance to decrease these flows of financial extraction. In the long term, however, it is important to develop housing and livelihood solutions that will depend less on overinclusive forms of individual indebtedness and which can protect households' resources. (We bring some examples below.)

States are also interested in increasing lending to households because it generally increases consumption and spurs economic growth. However, the position of states in different parts of the global economy will also be different in this respect. The debt of households in peripheral countries will often be exposed to international capital flows and will thus not only be a question of domestic policy. After their accession to the EU, households and companies of the European periphery gained access to relatively cheap loans which

flooded their markets. A few years after the 2008 crisis, the European strategy for crisis management was to push more money onto the markets, which led to a new wave of lending. This cyclical nature of extensive lending which then crashes is rather systematic of dependent forms of financialization.

Debt in arrears is often linked with credit-based debt, and the two combine into cumulated difficulties of payment and a debt trap.

Besides loans, it is important to highlight that household indebtedness is also produced by arrears of payment in various services. This debt in arrears is often linked with credit-based debt, and the two combine into cumulated difficulties of payment and a debt trap. A particularly harsh consequence of this situation can be when someone loses their home because of indebtedness, but their remaining debt is still executed from their income.

How to intervene as engaged researchers – shaping the narrative

Indebtedness can be countered not by more “responsibilization”, but by providing fundamental services independently from the market logic.

The common narrative around household debt is to claim that “people live beyond their means” and are “irresponsible”. This is coupled with general anti-poor narratives around indebtedness. In the face of this narrative, it is important to show how household debt is a result of structural pressures, and to put forward the argument that indebtedness can be countered not by more “responsibilization”, but by providing fundamental services independently from the market logic. Engaged researchers can have an important role to play in shaping the public discourse around these issues.

A way to do this is to make institutions, processes and risks around debt more visible and more understandable. This can help people in seeing what they take on with a loan, and also shows what their room for maneuver is. Highlighting previous processes around debt, as well as historical or contemporary examples of how it has been tackled can also be a very inspirational source

of knowledge. A further role can be to support the social movements that are active around household indebtedness in order to make them more visible and to channel in specific forms of lacking expertise.

One difficulty for those raising public awareness around this topic is the lack of adequate data on household indebtedness. It is very rare to have aggregate data on the scale of households concerning their different types of debt and arrears. Thus, in most countries, only estimations can be made by combining different data sources. The other option is to rely on household surveys where households are asked about their overall indebtedness – however, these are not regularly taken and usually do not cover the whole population. Further problems are that debt is usually not calculated into poverty measurements (only income levels are accounted for), and that debt is usually attributed to one debtor, whereas household relations are much more complex.

Building structures that point towards a different housing system

In the short term, debt restructuring and debt cancellation mechanisms are necessary to reduce the social harm of over-indebtedness.

In the short term, debt restructuring and debt cancellation mechanisms are necessary to reduce the social harm of over-indebtedness. This can take various forms and can be targeted towards different social groups. The importance of the politics of debt restructuring is to open the possibility for questioning the legitimacy of the total outstanding stock of household debt, and to see it as a sphere of negotiation similar to the debt of companies or states.

In the mid and long term, however, debt cancellation and debt restructuring will not solve the fundamental problems of the lack of access to housing and other basic services. Thus, new solutions to households' needs

We need to build stable, affordable housing systems which are not exposed to market volatility and are not reliant on extractive forms of individual lending.

should be built up. Otherwise, under the capitalist logic, new waves of lending and then of over-indebtedness will merely continue to reproduce themselves. In the field of housing, we need to build stable, affordable housing systems which are not exposed to market volatility and are not reliant on extractive forms of individual lending. Important aspects of such housing programs would be:

- to be affordable in the long term,
- to have an institutional structure which avoids speculation,
- to be collectively or publicly owned and managed in a way to secure the predominance of residents' interests,
- to develop mechanisms of solidarity within housing systems, which would allow for more resilience to crisis.

In order to develop these solutions, the political pressure and collective voice of many indebted households need to be heard, and governments also need to take more responsibility in providing for the basic needs of their residents. Social movements organizing around access to housing or around household indebtedness have an important role to play in pushing for these steps.

Examples of movements against debt and an outlook on 2020

There are a number of movements against public debt; especially the public debt of developing countries (such as CADTM¹⁷ or the Jubilee Debt Campaign¹⁸). A common grassroots tool in organizing citizen awareness around issues of states' debt is the citizens' debt audit¹⁹. Public

17 <https://www.cadtm.org>.

18 <https://jubileedebt.org.uk>.

19 <https://researchforaction.uk/project/citizen-debt-audit>.

Movements questioning household debt emerged after the crisis of 2008 in several places around the world.

consciousness about the political nature and devastating consequences of large public debt was widely raised in Southern European countries after the 2008 crisis, as a response to Troika interventions demanding more austerity.

Movements questioning household debt emerged after the crisis of 2008 in several places around the world. In the United States, groups emerging from the Occupy movement²⁰ started questioning whether all individual debt should be repaid, organizing primarily around student debt and other consumer loans. Recently, with the level of consumer loans and credit cards reaching unprecedented heights, the issue of individual indebtedness has come to the fore on the agenda of US movements again. In Spain, the housing movement PAH²¹ has become very visible globally with its strategies of pressuring banks into negotiations with indebted households. In Eastern Europe, defaulting forex debtors had organized themselves in Hungary (Florea, Gagyí and Jacobsson, 2018) and in Croatia (Mikuš, 2019b). Responses to a rise in the number of evictions have also emerged: for instance, the Serbian movement the Roof²² had concentrated on eviction blockades, thus making the violence of housing dispossession visible.

Beyond directly housing-related initiatives, work on building up debt relief and debt cancellation schemes are also important. Movements for debt cancellation include groups that demand the re-regulation of private debts by the government, basing their argument around how certain forms of household lending were illegitimate (this was the strategy of Hungarian forex debtor groups, for instance). In other cases, they will directly intervene by buying up non-performing loan portfolios and then

20 <https://strikedebt.org>.

21 <https://afectadosporlahipoteca.com>.

22 <https://zakrovnadglavom.org>.

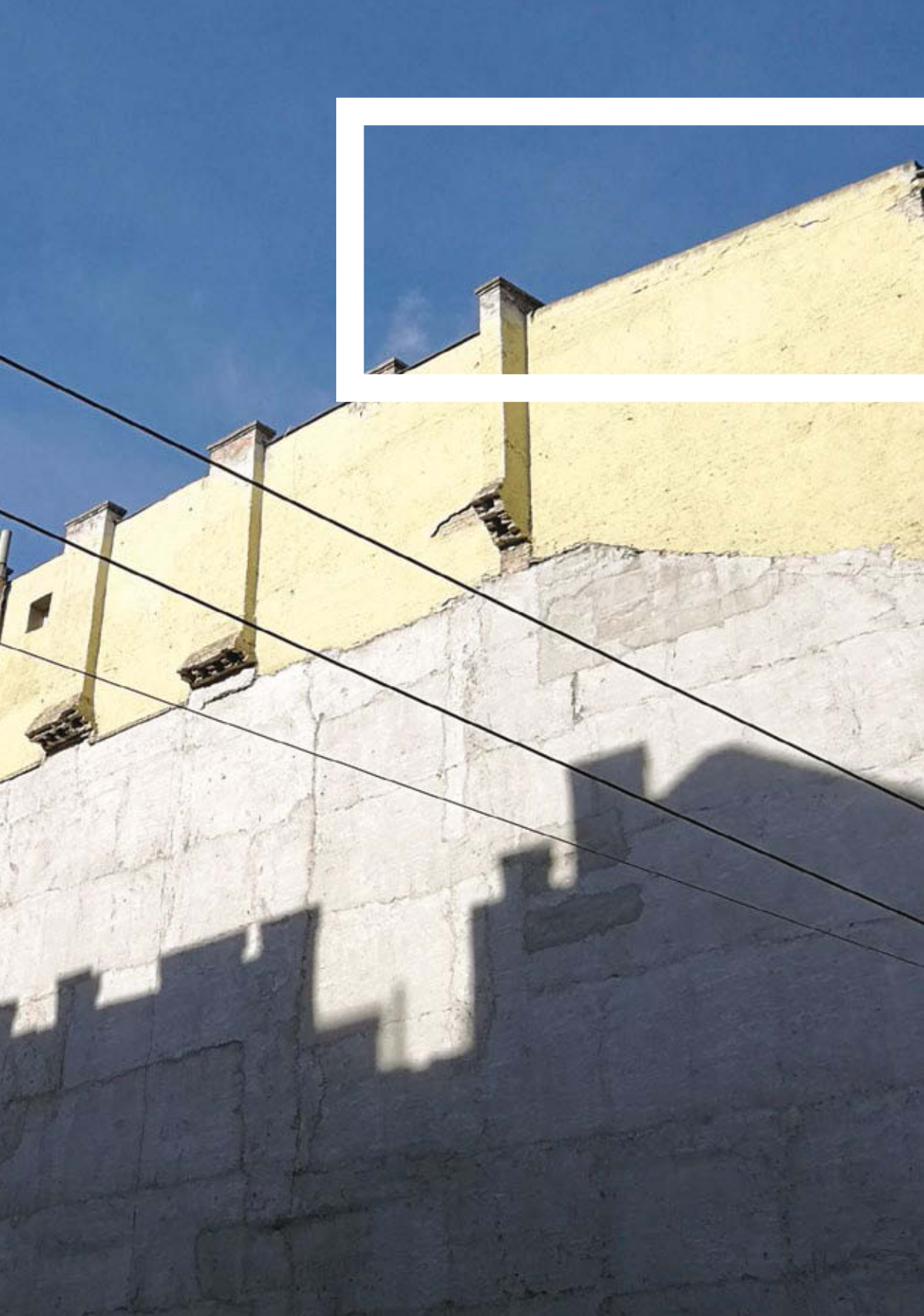
canceling the outstanding debt. These actions are often financed by donations specifically for this purpose. (Some examples are the British initiative called the Bank job²³ or the US-based Rolling Jubilee²⁴.) Debt-related actions can be amplified by art and media interventions; which is a strong tool for raising awareness around a complicated issue. The above-mentioned Bank job is also a good example for this.

The currently unfolding economic crisis in the wake of the COVID-19 outbreak shows that the debt of households can actually be negotiated.

The currently unfolding economic crisis in the wake of the COVID-19 outbreak shows that the debt of households can actually be negotiated, as some countries are introducing moratoria on loan repayments. However, a payment moratorium does not necessarily benefit the debtors, since interest will typically still accumulate during this period, and due to the lengthened repayment period, in the end debtors pay more. What would be truly progressive is the negotiation of debt relief and debt cancellation programs. It is alarming that in this situation some governments are not giving direct support to those who have lost their income, but are estimating that households will survive through taking further loans. This is a strategy that directly points towards a debt trap. Rather, the current situation of collective crisis should be used to push for possibilities that represent the interests of households instead of corporations or governments. In many cases, these possibilities did not exist under a period of capitalist expansion and growth. However, the deep crisis that we are currently entering shows – yet again – that structural shifts need to happen.

23 <https://bankjob.pictures>.

24 <http://rollingjubilee.org>.



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2019. 11. 22. Friday

14.00 Introductions, welcome, objectives and rationale of the workshop

14.30 Core-periphery relations and global economic integration as the framework of household debt

- Johannes Jäger: Critical rent theory, housing and dependent financialization
- Eugénia Pires: Household debt trap in the semi-periphery of the euro: how housing policies foster the financialisation of households
- Zsuzsanna Pósfai: Various forms of how household debt becomes a channel for investing surplus capital

16.30 Institutional changes in household lending; effects of the crisis (and the phenomena of debt collection)

- Marek Mikuš: From boom to bust to...? Household indebtedness in Croatia, ca. 1999–2019
- Sotiris Sideris: At least 55,625 properties under the hammer in real estate auctions - and counting
- Zita Fellner and Anna Marosi: Current trends in household lending in Hungary



2019. 11. 23. Saturday

10.00 Non-mortgage debt I.: consumer loans and personal loans

- Ajda Pistotnik: Household extraction via debt
- Lucie Trlifajová: Moral hierarchies and debts in the Czech Republic

11.30 Non-mortgage debt II.: utility debt, state subsidies and informal loans

- Sergio Tirado Herrero: Utility debt, household disconnections and transformative collective action in Barcelona
- Judit Durst: Spiralling debts of low-income households: the case of homemaking grant (CSOK) in rural Hungary

14.00 The implications of debt for housing

- Ana Vilenica: Debt as a weapon against people in housing wars in Serbia
- Mateusz Halawa: The rise of mortgage sociality in Eastern Europe



