



Husbanken

THE NORWEGIAN STATE HOUSING BANK



Annual Report

2007

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Asker Center received *Bymiljøprisen* in 2007





Introduction

Since its establishment in 1946 the Housing Bank has had a central role in Norwegian housing policy. In recent years the company's work has increasingly concentrated on helping municipalities in their work finding housing for the neediest.

With the values of openness, versatility and collaboration as a guiding principle, the vision for the Housing Bank's work is that everyone should have secure and adequate housing. By using loans, grants and development and dissemination of knowledge and expertise, the Housing Bank will contribute to:

- Securing housing for the needy in the housing market, with special emphasis on those fighting homelessness;
- Building more universally designed houses and areas; and
- Building more environmentally friendly houses with reduced energy needs.

This annual report clearly shows the shift of focus towards social housing work. But 2007 was notable in that it was the 25th time that the State Award was awarded. Several of the pictures in the annual report are of the prize winners and from honored projects.



Photo: Joakim Krøvel

Managing Director Geir Barvik:

Our main task is to assist the



Geir Barvik states that housing for the needy is the Housing Bank's number one job. Photo: Arash Nejad.



municipalities

In 2007, for the first time the Housing Bank allocated more start-up loans for purchasing of houses for the neediest in the housing market than basic construction loans. This demonstrates how the Housing Bank has changed. We are no longer the same institution people knew from post-WWII. Our previous central role in securing general housing supply through construction of new houses has evolved to become more targeted, while quality aspects, such as new developments, universal design and environmentally friendly solutions, dominate our work with new construction. Today the Housing Bank is much more a public welfare agency than a financial institution. Our most important task is to help those who need it the most in the housing market.

The municipalities are the Housing Bank's most important partners in the work to make sure that everyone has good quality, secure and adequate housing, as the municipalities have the direct responsibilities for finding housing solutions for the neediest in the housing market. The Housing Bank's job is to make it easier for them to fulfill this responsibility. The way to the best results for the Housing Bank is therefore to better enable the municipalities to perform their tasks well within their social, housing policy.

The Housing Bank is on the right path

In the first phase of having a more active role towards social housing policy of the municipalities, the activities of the Housing Bank have put the main emphasis on initiatives for the neediest groups. Further we have prioritised working with the largest municipalities who have the greatest challenges. Since 2001 the Housing Bank has played a major role in

coordinating work against homelessness in Norway. This includes first of all "The Project Homelessness" which includes the seven largest cities in Norway; then via "the pathway to a permanent home," the government's strategy against homelessness which includes the entire country. The experiences from these two projects have been a huge motivator in the work to develop from a mere housing bank to a welfare institution within housing.

The research institutions FAFO and NOVA conducted in 2007 an evaluation of Project homelessness after two years. The researchers found that the project has had a central role in bringing attention to and later acceptance to the right to a place to live for drug addicts. This evaluation further demonstrates that those who have received assistance from the project now have a more stable living situation and that they are very satisfied with the help received. On behalf of the Housing Bank, I also find it satisfying that FAFO maintains that the Housing Bank has earned legitimacy and expertise appreciated by the municipalities in working with this project.

Large challenges remain

Even though the work with homelessness has shown many positive results, there are still a range of considerable challenges ahead within the social, housing sector. Not all are particularly needy, some simply have problems to establish themselves and get access to a housing market that is based primarily on home ownership and is highly priced in many areas of the country. At all times, the Housing Bank must consider whether the means, methods and expertise at our disposal are the best suitable to meet tomorrow's challenges.

Among the measures available, we feel that a further strengthening of the housing allowance system is provision that would give a particular positive and increased welfare return. The social housing rental sector is at present particularly small in Norway. We believe that increased use of housing allowances, start-up loans and grants to rental apartments would further ease also the situation for single people to establish themselves in the housing market. The Housing Bank therefore maintains that the housing allowance provision should not only be raised, but also be expanded to include all those with very low incomes.

Working with the municipalities

The needs and the possible solutions are many, and they vary from municipality to municipality. The Housing Bank's goal is to establish a good dialog and fruitful collaboration with each municipality. Many municipalities lack a comprehensive housing policy. There is also considerable potential for improved cooperation across sectors and with different public and private entities as well as better and more coordinated use of various economic means. In the coming years the Housing Bank's most important task is to enable the municipalities to identify, understand and prioritise efforts and to improve use of the various means available to find tailor-made solutions best suited for individual situations

The Housing Bank is regionalised

The Housing Bank's six regional offices carry out the housing policy and find local solutions that give the best welfare gains. Starting in the Housing Bank's geographical division in regions have been modified to fit better into the regional divisions of other public entities. The regions are: The Southern Region (offices in Arendal and Drammen), the Eastern Region (office in Oslo), the Western Region (Office in Bergen), and Central Norway (office in Trondheim). The Hammerfest and Bodø offices have remained unchanged. The main office was relocated to Drammen in September 2007 along with the Administrative and Strategic Office.

Regional offices

The regional offices have all daily contact with users and are at liberty to adapt their work to the needs of the local area. The regional offices are independent entities managed by a Regional Director.

The administrative office

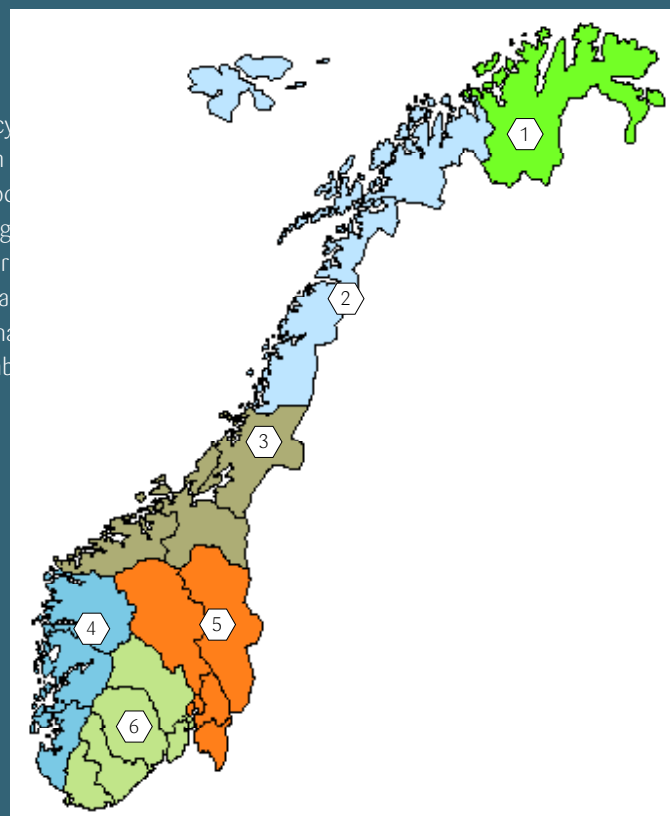
The main duties of the administrative office include the administration of operation and development of the Housing Bank's IT system and the administration of loans and dealing with customers with payment issues.

The strategy office

The strategy office is in charge of the development of policy and strategy, reporting and coordination of various group tasks and related assignments. The strategy office is also responsible for providing administrative support.

The head office

The head office is the secretariat for the Managing Director and the Executive Board, and its duties include HR, communication, internal control/auditing, corporate culture and international matters.



- 1 **Hammerfest**
Nord-Troms and Finmark
- 2 **Bodø**
Nordland, Sør-Troms and Svalbard
- 3 **Central Region in Trondheim**
Møre and Romsdal, Sør- and Nord-Trøndelag
- 4 **Western Region in Bergen**
Rogaland, Hordaland, Sogn and Fjordane
- 5 **Eastern Region in Oslo**
Oslo, Akershus, Hedmark, Oppland and Østfold
- 6 **Southern Region in Arendal and Drammen**
Buskerud, Vestfold, Telemark and Agderfylkene

Composition of the Housing Bank's Executive Board:

Executive Board

Chairman: Kristian Wibe
Vice Chairman: Barbro Lill Hætta-Jacobsen
Board Members: Liv Røssland, Heming Olaussen and Ingjerd Schou

Deputies: Else Margrete Lian, Elisabeth Nilsen, Line Gare Paulsen, Kristian Dahlberg Hauge and Øyvind Hilmarsen

Regional Board Hammerfest

Chairman: Geir Sagelv
Members: Randi Tennefoss, Linda Randal
Deputies: Ulf Tore Isaksen, Mona Jørgensen, Bjørn Odden

Regional Board Bodø

Chairman: Lisbet Holand
Members: Guri Helene Ingebrigtsen, Arnfinn Ellingsen
Deputies: Gunnhill Andreassen, Halvor Hilmersen, Odd Arne Tunberg

Regional Board Central Norway

Chairman: Anne Sofie Hunstad
Members: Marit Voll Skrove, Harald Valved
Deputies: Paul Ludvig Almåsvold, Jan Ole Asplid, Trude Holm.

Western Regional Board

Chairman: Sigrid Bratlebø Handegard
Members: Karl W. Sandvig, Guri Fonsdal
Deputies: Jostein Zazzera, Geir Pollestad, Lillian Blom

Eastern Regional Board

Chairman: Ann Kathrine Tornås
Members: Arnfinn Nergård, Ole Haabeth
Deputies: Harald Solberg, Ellen Løchen Børresen, Lisbeth Lofthus Gabrielsen

Southern Regional Board

Chairman: Rolf Erling Andersen
Members: Eli Løite, Ivar Ramberg, Deputies: Reidun Nyhus, Arne Thomassen, Ragnhild Røed

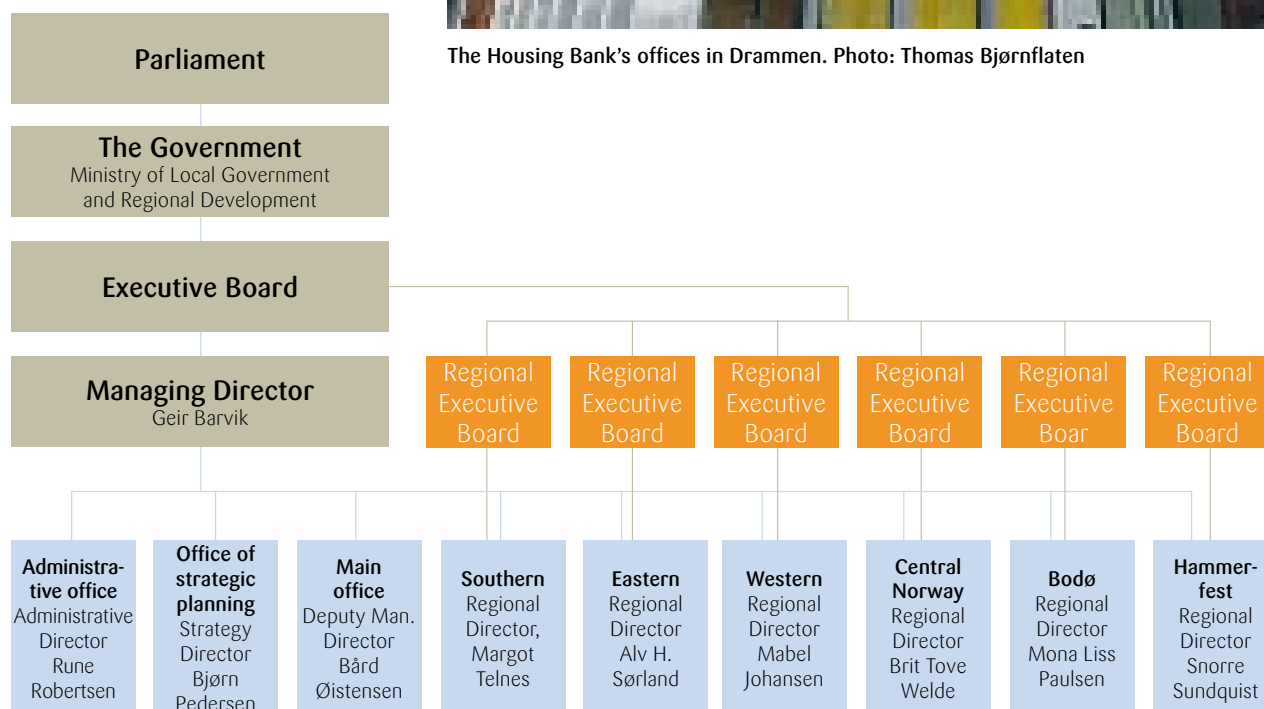


The organization

The Housing Bank is under the Ministry of Local Government and Regional Development. The Bank's highest organ is the Executive Board, which has 5 politically appointed members. The executive board sets the strategic plans and main priorities and is responsible for seeing that the necessary organizational documents are in order. In addition, there are regional boards in each region with three politically appointed members. The regional boards have authority for loan and grant management within their area. In cases of fundamental significance, the regional board will make its pronouncement before the case is sent to the executive board for a decision. The Housing Bank has its own complaints department which deals with issues from the Housing Bank's clients regarding decisions on loans and grants.



The Housing Bank's offices in Drammen. Photo: Thomas Bjørnflaten



Goals and strategies



The government's vision for Norway's housing policy is that: **Everyone shall have adequate and secure housing.**

Since its inception in 1946 the various governments have all used the Norwegian State Housing Bank as the main implementing agency for the Norwegian housing policy. A good place to live is a basic need for a meaningful life, just as other basic needs for welfare within the health, social and educational sector. Housing constitutes an important part of the Norwegian welfare model.

Housing policy goals are adopted annually as part of the Parliament national budget and it is adjusted as needed to meet the primary challenges facing the nation at any given time. The following main goals are the Housing Bank's current priority:

Good playgrounds contribute to a good living environment. Photo: Scanpix

- | | |
|---|---|
| <ol style="list-style-type: none"> 1 Stimulation to achieve a well functioning housing market. 2 Provisions of housing for groups that are disadvantaged on the housing market. 3 Lasting quality, security and good esthetics in the built environment. 4 More homes and buildings using universal design. | <ol style="list-style-type: none"> 1 Providing access to housing for the homeless and needy in the housing market. 2 Universal design and environment/sustainability. 3 Urban planning and building practices. |
|---|---|

In addition, the government has given the Housing Bank the following goal for its internal organization:

- 5 Efficient and user-friendly administration.

The Housing Bank is responsible for meeting the goals of the government's housing policies. Therefore the Housing Bank has a strategic plan that helps it to work in a goal-oriented and efficient manner. The plan also allows for the following prioritization of tasks in 2007:

In addition professional strategies have been made to define goals and means within various working areas.

To reach the housing policy goals and for the company to be in compliance with the government's goals, the Housing Bank has established a set of internal basic values that guide daily tasks and employee attitudes:

Openness, versatility and collaboration.



Means

Since social housing work results in the greatest welfare benefits, the Housing Bank has focused on these areas.

The Housing Bank implements the government's housing policies

The means have changed considerably from its inception until today. Earlier the first-time loan for all dominated the housing services. Today selective grants are the leading way to meet the social needs in the housing market. Another method has been to provide information and expertise to aid individuals, municipalities, other public entities, non-profit organizations, etc. This has been a way to produce results through other agencies. In 2007 the Housing Bank's regional offices arranged more than 1,000 meetings, seminars, networking events, forums

and other activities with more than 25,000 participants. This has improved the expertise within the housing sector and has provided the basis for new projects, producing results both in social housing ventures, new construction and rehabilitation projects.

The Housing Bank's strategy is based on the government's housing policies. The first priority is defined as providing adequate and secure housing for those in need. Housing allowances provide the most effective tool. The Housing Bank is also happy with the government's increased push to increase expertise that will form

the basis for new knowledge and competence.

In terms of loans, the trend is to continue to shift emphasis from basic loans to start-up loans. Municipalities and the Housing Bank are working together to provide start-up loans to youth and those in need to give them an opportunity to establish their own home. The combined amount for a start-up loan is consistently high. The same holds true for loans to child care centers which the Housing Bank has prioritized in recent years.

The development in the most central means, as allocated in the national budget, is shown on the next page.

Skøyen School Photograph: Henriette Salvesen



Financial framework terms for the Housing Bank 2002-2007

The table below shows the activities over the past six years. Payments can be made both for loans and grants based on the grant donors such that the level of activity on the table differs from the expenses listed in the balance sheets.

GRANTS

	2002	2003	2004	2005	2006	2007
TOTAL GRANTS	7,055.1	5,548.9	4,527.6	4,092.9	4,526.1	5,079.4
Housing allowances ¹⁾	1,757.0	1,932.8	2,109.0	2,093.6	2,232.6	2,286.5
Grants for improving urban areas and housing quality	108.0	60.0	21.4	0.0	0.0	0.0
Housing grants for first home, adaptations and rental homes	732.0	670.0	664.6	559.0	574.0	614.7
Housing, city and area development ²⁾						43.0
Compensation grants - sheltered/nursing homes	3,276.4	1,378.2	177.7	0.0	0.0	0.0
Homes for mentally ill	79.8	169.2	177.7	0.0	0.0	0.0
Compensation grants ³⁾	36.5	36.1	31.0	56.7	82.8	81.0
Grant for radon improvements	9.2	13.4	0.0	0.0	0.0	0.0
School buildings - interest compensation ⁴⁾	70.0	192.0	240.5	207.0	322.0	541.0
Church buildings - interest compensation ⁵⁾				7.8	21.0	39.0
Compensation grants - sheltered/nursing homes ⁶⁾	1,066.0	1,266.4	1,283.4	1,168.8	1,287.7	1,474.2

1) The welfare department's housing grant arrangement was combined with the housing allowances in 1997, creating the current housing allowances.

2) New kind of grants in 2007.

3) Combined into resource grants from 581.71 Urban satisfaction / housing quality and 581.78 Development grants.

4) New grants in 2002, Investing framework NOK 2,000 million in 2007.

5) New grants in 2005, no new framework for investments 2007.

6) New grants in 1998 as part of the government's plan for the elderly.

Types of loans

	2002	2003	2004	2005	2006	2007
Framework for lending ¹⁾	13,000	14,500	14,500	13,500	13,500	13,000
New housing loans	7,044.9	7,858.7	8,769.2	5,138.9	999.4	179.7
Home improvement loans	1,016.5	1,613.3	1,060.0	1,093.7	101.6	
Purchase loans	1802.6	2.4				
Basic loans ²⁾				1,894.0	6,404.2	5,579.8
Start-up loans ³⁾		3,884.3	3,431.0	3,498.0	3,344.6	3,534.3
Establishment loans	2,624.9					
Loans to nursery schools	447.1	597	657	1,366.0	1,555.1	1,743.2
Total used	12,936.0	13,955.7	13,917.2	12,990.6	12,404.9	11,037.0

1) The Housing Bank is given a maximum frame for lending, which is divided between various types of loans for maximum goal fulfillment.

2) The basic loans for new housing and home improvement were introduced in 2005 as a replacement for previous loans.

3) The start-up loan was established in 2003 in lieu of previous first-time loans.



In 2007 the basic features of the traditional support were:

- Housing support nears NOK 2.3 billion, to nearly 130,000 households.
- New grants for city and local development shall help improve living conditions and the environment in areas with particular social housing challenges. Funding parameters are completely tied to the Groruddalen initiative.
- Loans will be framed around prioritizing start-up loans and child care center loans and demonstrate the turnaround from housing bank to welfare service.

Evaluation of results

The Housing Bank has a comprehensive reporting system that applies to the financial aids as they have been traditionally used. But when the use of aids changes for the most part from a pure lender to a grant donor organization to an expertise and competence developing entity, and the Housing Bank gets results for a large part through others, the quantification of how goals have been met is complicated.

The Housing Bank works first and foremost with municipalities who receive funds from the Housing Bank. The division of roles in housing policy is also such that it is the municipality that is in charge of ensuring housing for their residents. Most municipalities have created plans for housing with the help of Housing Bank initiatives. This is how the Housing Bank can see that funds are being used in the implementation of these plans. The municipality reports back to the Housing Bank on how grants and

start-up loans are spent. Still, this is not enough to evaluate adequately the effects of the entire housing policy. Therefore, the Housing Bank has established a project and started to develop and coordinate internal and external databases and increased their quality. The project involves a reform of statistics that assumes extensive

and increased collaboration with the Norwegian Mapping and Cadastre Authority and Statistics Norway, as well as an expansion of the cooperation with Byggsøk. The project is expected to last two years, but hopefully its effects will already be felt in proved planning and reporting by 2008.

Byåsen high school. Photo: Hus Arkitekter AS





Randi and Harry Larsen in Keyserløkka in 1948.
Photo: OBOS

The Housing Bank's regional office in Hammerfest 1947.
Photo: The Housing Bank

The Housing Bank 1946–2007

The Housing Bank was established by the Parliament on 1 March 1946 to “provide central and local government support for reconstruction and new building.” Since its foundation, the Housing Bank has remained the Norwegian government’s most important tool to implement its housing policy and has played a key role in the development of the Norwegian welfare state.

1946–1953: Reconstruction and new building

The purpose of the Housing Bank is to finance housing at a modest but good standard at a reasonable cost. A considerable effort was done, especially in particularly war damaged areas but it took time to gain momentum due to a lack of building materials. Home construction did not take off on a large scale until the 1950’s.

1954–1964: Credit allocations and control

From 1954 the budget set out binding framework for the Bank’s activities. Housing purposes, through the Housing Bank, was a priority area for channeling credit. Access to building materials improved, and there was a boost of activity during this period in which The Housing Bank played a pivotal role.

1965–1970: Rationalization of home building

Building increased, in part, due to the utilization of industrial production methods.

The private sector grew stronger; peoples’ income and preferences changed and the demand for access to private credit sources increased. As the investments in the housing sector increased some of the Housing Bank’s loans remained unused.

1971–1980: Years of expansion

The 1970’s were expansionary, but full of challenges. High inflation resulted in significant increases in building and site costs and many people struggled with housing costs. Home construction benefited from oil funds and countercyclical policy during this period. Norwegian home building peaked in 1973, when nearly 45,000 homes were completed.

1981–1988: Deregulation of the housing market

The 1990’s started with an economic downturn and the partial collapse of the private banking system. Many homeowners were in deep financial problems, and the banks suffered large losses. Again the Housing Bank was used to counteract the business cycle and financed nearly all home building that took place during the economic downturn.

1989–1995: Debt crisis and readjustment

The 1990’s started with an economic downturn and the collapse of the private banking system. Many customers were beset by financial problems, and the banks suffered large losses. Again the Housing

Bank was used to counteract the business cycle and financed nearly all home building.

1996–2007: From Housing Bank to welfare institution and center of expertise

The Housing Bank shifted its main focus from financing of new homes towards targeting the disadvantaged in the housing market. Loans have been issued without subsidies, while grant schemes and housing benefits have been aimed at specific groups. The basic loan replaced the construction loan in 2005. Since then these loans have been focused more on new developments and priority housing qualities, such as universal design and sustainability. These loans can also be used for rehabilitation purposes but within the set priorities

The future of the Housing Bank

It is important for The Housing Bank to remain an open organization with a broad range of housing policy expertise and to deliver effective solutions to improve housing related welfare. The Housing Bank cooperates actively with public and private partners, above all with the municipalities. The various financial measures that the Housing Bank makes available for them, are used as “package deals” and in cooperation with private banking institutions, thereby further increasing the effectiveness of these measures. The strengthening of housing allowances and start-up loans is an important part of such work.



Ullensvang research center. Winner of the State Award 2000. Photo: Lund Hagem Architects AS

Highlights in 2007

Award ceremonies

The State Award for Best Project against Homelessness went to a prison project in Oslo. The project has tried new methods for ensuring that convicts have a good housing option when they are let out. Minister of Local Government and Regional Development, Magnhild Meltveit Kleppa, awarded the prize to a collaborative project between Oslo prison and Oslo parole office. The awards ceremony took place on 12 November at Kulturkirken Jacob.

The Norwegian Government's Award for Good Practice in Housing was given to Oslo municipality and Statsbygg for the Pilestredet Park project. Former Minister of Local Government and Regional Development, Åslaug Haga, was in charge of the awards ceremony on 6 June in connection with Vocation Day, which was arranged at Papirbredden in Drammen.

Housing for the needy

At least 1,600 needy households received grants from municipalities to establish themselves in their own homes in 2007. This is a 16% increase from last year. At the same time the Housing Bank gave grants to nearly 900 rental apartments for various groups of the needy in the housing market. That is a 20% increase from 2006. Despite the high prices of used homes, initial reports from municipalities show that about 4,900

people received start-up loans in 2007, which is at the level for similar provisional numbers for 2006.

Housing allowances

129,700 Households received housing allowances in 2007. That is nearly a 7 percent increase compared to 2006, when housing allowances were given to 121,600 households.

Student housing

On 16 November the government decided to increase the amounts allotted for building student housing with a retroactive force. This could mean 1,140 new dwellings in 2008. The framework was previously at NOK 500,000 per flat in the five largest cities, but now the Foundations for Student Life may build for an additional NOK 100,000.

Enhancing expertise

The Housing Bank's regional offices held over 1,000 meetings, seminars, networking gatherings, professional gatherings and other activities aimed at external participants. About 25,600 participants took part in these arrangements under the Housing Bank's direction.

The Housing Bank gave professional and economic assistance to the "Housing for all in a Nordic perspective" conference which was held in Copenhagen on 31 October. The goal of the conference was



"I am proud of the homelessness price," says project manager Hege Kongerud. The price was awarded by the Minister of Local Government and Regional Development, Magnhild Meltveit Kleppa. Photo: The Housing Bank, Siri Angelsnes

to exchange various experiences with universal design between borders.

Administration

Only about 1,000 Housing Bank loans were defaulted on at the start of 2007, which represents the lowest number of defaults in the Housing Bank's registry. The value of these loans represented 0.7 percent of the Housing Bank's total number of loans, also a historic low. At the same time the numbers of evictions/foreclosures have gone down.

Released and with a home

Text: Tone Øien, Housing Bank, Eastern Regional Office



Up to two of three inmates need housing when the prison doors open again. As a released convict without a place to live, the chances are higher that he or she will return to crime. That is why repeat offenders are not given parole without their own place to live.

TOG has a separate office in Oslo prison with a history that goes back to 2000–2001. All of the 15 prisoners in the department have several convictions and are soon up for parole. They have extensive personal challenges, including problems with housing, drug addiction and unemployment.

The Housing Bank has allocated funds for 18 months to strengthen the social housing work in TOG. Through “Housing for parolees” the Housing Bank and TOG are working together to meet the goals in the Government’s strategy against homelessness, “The

Learning how to live on your own begins in a prison’s kitchen. (Photo: Knut Erik Rønningen, Oslo Prison)

pathway to a permanent home:” the concept that no one should be forced to spend time in temporary housing after they are let free from prison. Since it started in 2006 no one has been let out of the involved prisons without permanent housing.

Close follow-up

To keep their housing, the convict has a plan to meet the challenges associated with living. TOG and areas of Oslo



municipality work in a formal collaboration to find good social housing options for those who need it. During their time in prison and the first weeks after being let out on parole, the convict receives extensive follow-up. Among other housing options are city housing with follow-up. "Ali," a young man in his 20's, is among those who were let out of Oslo prison as a participant in TOG. On his release, Ali had municipal housing with follow-up, a responsible group, a TOG consultant, a contact person and a social worker. Without assistance from TOG, it would have been harder to say no to "bad" friends. To stay out of the criminal environment has meant loneliness and spending a lot of time alone, he says. Two weeks after being let out, he works closely with his TOG consultant and NAV.

The year's prizewinner

"Having your own place to live is a must to survive without reverting to a life of crime," said Minister of Local Government and Regional Development, Magnhild Meltveit Kleppa, in November 2007, when she awarded the National Prize for Fighting Homelessness in 2007 to TOG in Kulturkirken Jacob.

Hege Kongerud received the prize of NOK 75,000 and a work of art.

"This is a huge inspiration for our continual work. I am proud that we won the prize and I am proud of the Correctional Services' daily work."

Overflow today

Hege Kongerud is not ending her two years of leading the project without ensuring that social housing-work will be continued in the department. "We shall continue to use this expertise by working with the housing sector together with the employee's areas of responsibility," says the project manager. Collaboration with the areas of Oslo are preserved with an agreement. Starting in the fall, work is being done to arrange information-meetings and housing seminars with the inmates, the work shared among the department's nine contact officers and three TOG consultants. The goal is that the model will spread to other areas of correctional services, starting with two or three departments in Oslo prison. "Expertise is linked to the entire effort, not just a single employee," says Kongerud, who ascertains that she will not be needed when the project ends in spring 2008. TOG has also been successful in procuring employment.

All of the TOG participants have managed to get employment. Hege Kongerud sees that as an indicator that TOG convicts are on their way to a law-abiding life.

State Award for Best Project against Homelessness

- The State Award for Best Project against Homelessness is an award honouring new ideas that are transferrable to others working with the government's strategy against homelessness. "The pathway to a permanent home."
- The Housing Bank is coordinating this strategy. 2007 was the fourth year that the prize was awarded.
- 21 projects and grants in 2007 were suggested for the prize and four were nominated.
- The three which were honoured were "A cooperative project: fewer evictions" (the Oslo and Inner East sectors property officials), "Sandviks way - housing opportunities for women" (Bergen municipality) and "From prison to your own home" (Department of Health and Welfare, Oslo municipality).

TOG (Grants for re-offenders)

- TOG is a collaboration between Oslo prison and the Oslo parole office and started as a pilot project in 2000 with a goal that re-offending convicts will manage on the outside after serving their sentence without committing new crimes.
- The target audience is prisoners from Oslo whom otherwise would not be granted parole based on the risk of re-offense.
- During their imprisonment in the TOG department, the parole officer and TOG consultant work together with the offender to improve the standards after getting out of prison. The prisoner is given support in prison to change his conduct of living and during parole the convicted is kept an eye on.
- In the beginning, the TOG project had problems getting housing for convicts. When TOG was first established, it started with a formal cooperation with the Housing Bank to develop the individual's ability to manage living on his/her own and procuring his/her own home.
- Between August 2006 and May 2008 the Housing Bank has financed one housing project manager.
- The goal of the housing project is, through a collaboration of several parties, that all convicts will procure their own housing with follow-up from the project.

The build-it-yourself project builds homes and people

Text and photo: Odd Bjørn Solberg, The Housing Bank's Western Region



Pre-fabricated wall modules. Project manager Bjarte Laugøy and Joachim Ziel who is going for certification in plumbing.

The build-it-yourself project in Meland municipality in Hordaland has so far been a very successful social housing project. The municipality worked with the Housing Bank in new ways to provide young and needy people with a roof over their heads.

Houses build people

“We haven’t just built houses with this project, we’ve built self-esteem,” says Project Manager Roar Hansen. He points out that finding housing for the homeless is more than technical or financial issues; it also involves taking the clients seriously and involving them in the building process. The target group is young people between the ages of 18–35 who have had difficulties establishing themselves in the housing market. They have to be willing to make the effort for themselves and others.

The Housing Bank gives guidance, loans and grants

The Housing Bank has provided help through expertise grants for developing and profiling the project, as well as loans and grants for home improvement and building. The build-it-yourself project is in its final year with a grant from the Housing Bank. The municipality is working to strengthen the project in establishing a service apparatus. This includes reviewing the social housing plan.

Prefabricated housing models

The build-it-yourself project now includes 15 residences divided between various building projects around the municipality. Stein Aksel Dale lives in one of the houses in the complex Moldekleiv, which consists of four single-family homes between 82 and 93 square meters. They are being built as municipal

rental houses financed through loans and grants from the Housing Bank. The houses are being produced as prefabricated wall units, where residents work together on a single production site. The houses have 55 different models. Alongside build-it-yourself houses the residents have received economic guidance via the municipal social services, where the ownership form and financing plan have been explained. In addition to the build-it-yourself project, Meland municipality has its own carpentry organization, which has been approved as a training establishment so that those young people who want to can earn credentials there.

Homelessness a catastrophe – your own place to live gives you self-respect

To have your own place to live is a basic human need. It is extra motivating for the homeless to get a place to live through their own initiative. By building their own home, participants can take back control over their own lives and earn back self-respect.

Even though the project is far from finished, one can conclude that the project has been very successful in many ways. The basic concept of engaging residents in building their own homes is giving more than inexpensive housing. It’s building people up.

The principle of module-based housing seems to be functioning well. People have managed to build inexpensive housing with good standards and in realistic sizes, where the construction makes it possible for both learning and individual and social mastery.



A springboard to home ownership

“We do not use municipal resources on housing for people who manage on their own. Work in the area of housing politics, in practice, means finding housing for those who need a helping hand,” says Svein Gjerstad in Lindås municipality. That is why we are building “Spring-board housing.”

Who are the economically needy?

Our target group consists of young, new families and single parents. People who need to rebuild after a break-up and other difficulties getting established. The concept of “spring-board residences” aims to find inexpensive, simple and owner-occupied apartments for our target group.

Property for cost and co-financing

Lindås Tomteselskap AS has provided land at cost and is willing to be the builder. The difference between cost and the market value is an interest- and principle-free 3rd priority loan, which is tied to the house for 5 years. The houses can be financed by 80% 1st priority loan in the Housing Bank or financed by a private bank, and the rest through a start-up loan or grant. Such housing will be a valuable supplement to the market. If the house is sold within 5 years, the municipality may ask that the interest and payment deferment be redeemed.

Reasonable housing is the most popular

“Welcome!” says the sign on the door in slate at the entrance door to a newly built duplex in the Myking neighborhood about a half hour’s drive from the center of town. The view is nice, but the yard isn’t quite done. The house is one of six residences in the “spring-board project,” which has a duplex and a four-family home of 79-129

square meters. Prices vary between NOK 805,000 and 1,200,000. All the houses are owner-occupied residences organized in a joint-ownership of external common areas. The residences are sold to people in the target group offering start-up loans. The Builder is Lindås Tomteselskap AS, which is fully owned by the municipality.

“The least expensive residences were the most popular,” explains Svein Gjerstad. Since the municipality’s land company is also the builder and doesn’t take a profit, the houses are less expensive than usual. The municipality has not made any demands on future sale of this project because the area is not centrally located, and the housing prices are not high. This location was chosen to draw new residents to the town. Owners can make a profit on the sale.

On the Housing Bank’s recommendation

Lindås municipality is following the Housing Bank’s advice in housing policy. The municipality already had developed a housing policy plan with help from the Housing Bank, which includes “Spring-board housing.” The Housing Bank has also given legal advice, as well as offering group financing and grant funding.



Advisor Jorunn Fotland, Svein Gjerstad in Lindås municipality and Ivar Thorsheim, Manager of Lindås Tomteselskap AS.

Universal design interests most



Pupils from Langeland school in Kongsvinger test how it is to be vision impaired. Photo: The Housing Bank, Siri Angelsnes

The joint venture project “Roadshow, an awareness raising journey” was designed to raise enthusiasm for the concept of universal design. It did this in several simple ways: Children and adults using crutches, wheelchairs and blindfolds could experience for themselves what it’s like for the disabled in their own neighborhood.

*Text: Jeanette Christensen,
the Housing Bank’s Eastern Region*

A survey performed in early 2007 showed that only five percent of Norwegians know about universal design. The same study also showed that four of five had a positive opinion of it once they learned about it. “For those of us who work to provide a more accessible society, it is a public relations challenge. We need to popularize the concept,” says Guri Bergo of the Housing Bank’s Eastern Region. In January the office decided to invite six pioneer municipalities to work together to make this happen. Kongsvinger, Eidskog, Ullensaker, Frøgn, Gjøvik and Vestre Toten municipalities will focus on universal design as early as May and June. “We’ve had an overwhelming response.” The subject engages both kids and adults,” says Bergo.

Children and youth are an important resource

The main concept is to focus on the upcoming generation through a school-based contest called “School’s environment for everyone.” Children in grades 4–7 got to experience taking part in a project by mapping hindrances in and around the school and coming up with ideas for improvements. They made videos, collages, stories and newspapers. The results are available at www.miljolare.no. “We linked the theme to their educational reform, so it could be integrated into the teaching. In addition we provided a NOK 10,000 prize both to the winning class and school. This way children learned about universal design with little notice before the summer holidays,” says Irene

people



Lofthus, project manager for the Housing Bank's Eastern regional office.

The youth council in Eidskog and students at Gjøvik college were other representatives for the younger generation. Eidskog's youth council made a movie on how accessible the village is. The college students had a contest to make the main street in Gjøvik more accessible for everyone.

A project throughout the Nordic countries

The municipal and regional departments, the Ministry of Local Government and Regional Development, the Ministry of the Environment, the Norwegian Directorate of Health, the Delta Center and the National Office of Building Technology and Administration (BE) supported the project. "In addition, we received support from the Nordic Council of Ministers. Universal design is a societal challenge in the other Nordic countries and the 'road show' is an example of thinking in new and non-traditional ways," says Fatma B. Jynge in the Housing Bank's Eastern regional office. "We documented all the good ideas that came about from local activities and arrangements in Eastern Norway so they could be used by other municipalities and organizations." In addition to the blogs on the Housing Bank's website and several other media events in each municipality, the Housing Bank was followed by the Mediaservice film crew who taped the entire Roadshow. The TV-documentary was ready by the end of October: "Where grass is green for everyone: a journey through universal design."

Several eggs in the basket

The film had its first screening for 60 participants at a conference in Oslo.



Creative drawings by children in Gjøvik. Photo: The Housing Bank, Siri Angelsnes

Anne Marie Stenmark from Hamar municipality was one of the participants. "After watching this, I am left with the feeling that clearly we have to get out into the community," she said. She also confirmed that she was so inspired by it that she will immediately follow-up with three areas in her own municipality. "Just think if our own college in Hamar could develop universal design in its education and pre-school education, so that the future generations could learn about it."

It is specifically the future generation that was the target audience for most of the road show municipalities at the conference. Hilde Nygaard in Kongsvinger municipality and Ingrid Rindal Øvsteng from Ullensaker municipality both recommended having contests through the schools in the 4th through 7th grades. Both recommended inviting schools early in the school year to allow them time to plan activities.

Where the grass is greener for everyone

In the beginning of 2008 the TV documentary "Where the grass is green for everyone: a journey through universal design" will be distributed to



Skotterud elementary school in Eidskog won the school competition. Photo: The Housing Bank, Siri Angelsnes

several local TV stations in the country. The hope is that Norwegians will take part in the nontraditional cooperative project through TV. But work to spread the message continues.

Quality residences don't need to



Kulsås Amfi is Trondheim's low-energy apartment complex. Kristin Jensen and Frode Solberg own one of the 13 apartments in Kulsås.

*Text and photo:
Merethe Bentzen, Central Norway Region*

The couple moved in in September 2007 along with their 4-year old son, Truls, and they are expecting another child. They knew little about low-energy housing before, but they have already experienced its advantages. "The atmosphere

is very good and the temperature is consistent. I can finally wear a t-shirt at home," says a satisfied Kristin. "We haven't received our first electric bill, so we haven't felt the economic benefits yet," says Frode.

Developers Erling Bakkemo and Robert Nøsen from Structura AS hope to demonstrate that a high-quality house doesn't need to be expensive. The project began after a low-energy seminar organized by the Housing Bank in autumn 2004. The seminar inspired them to go for low-energy quality housing. In this neighborhood Bakkemo estimates

From the left: Frode, Truls and Kristin are very happy with the temperature and atmosphere inside their apartment.

the cost of a two-room 53 square meter apartment at NOK 1.85 million. In comparison, they sold a similar apartment in Kulsås Amfi for NOK 1.39 million.

Quality at all levels

The building reveals its high quality all over. The materials will last for a long time: German "passive house" windows (rehau PVC windows with 3-paned glass) and insulation materials from Bewi. The



be expensive

balanced ventilation has a high recycled component. The project needs an anticipated 84 kwh/m² per year. In addition, the project has a well-insulated core structure, which is also focused on an environmentally friendly hot water supplier to the apartments. Two energy wells were drilled 160 meters underground. A heating pump takes heat from the earth to heat the apartments. In addition, the bathroom and living room floors are electrically heated. The bathroom floor is heated by cables, and there is a small baseboard heater in the living room. "Maybe we could have installed radiant heat from water to save even more electricity," says resident Frode Solberg.

There is a designer kitchen, tiles, parquet flooring and integrated appliances with an A-energy class. "It is important for us to be knowledgeable buyers in purchasing environmentally friendly electronics, as well," says Bakkemo.

Frode especially likes the light sensors in the hallway. "We save a lot of energy on this. Whenever someone comes the lights go on automatically," he explains.

Accessible housing

The three-storey building has an elevator and is designed to be accessible by all. There is good accessibility between the apartment and the outdoor areas. Kristin and Frode's apartment is two stories, and they can go directly outside from both floors. All apartments have large sunny balconies. "One of our balconies is 70 square meters," says Kristin. It is common to have a small balcony in an apartment building, so this was a big advantage for us with small kids. We are looking forward to spring and summer when we can finally use the balcony.



Kulsås Amfi

Why Kulsås Amfi?

"We had been in the area before, close to Kulsås Amfi property, and thought that we would like to live here. At first we wanted to build a house of our own, but it is a lot of work. So when this opportunity came up, we jumped on it! We have a yard of - about 70 square meters. We are near the woods, and there are lots of families with children nearby. It's just right for 4-year old Truls, and we are having another baby soon," says Kristin. It worked out perfectly that the apartment building was built right here. Even though there is a mixture of older people and young families, Kulsås is a new housing complex with many families with young kids.

Financing from the Housing Bank

Even though the building gives them the opportunity to take the Housing Bank's basic loan, the couple chose a private bank loan. "We didn't know much about the basic loan before. We didn't even consider it, since we got such a good



Developer Erling Bakkemo: It's important to use environmentally friendly solutions.

deal from our own bank," explains Frode.

Structura AS received in 2007 Trondheim municipality's first energy saving prize for Kulsås Amfi and was praised for showing responsibility toward the community by building housing with reduced energy needs and environmentally-friendly building materials with a long lifetime.

International Work

Text and photo: Per Paulsen, the Housing Bank, Hammerfest



The Housing Bank's director speaks at a conference in Murmansk.

For several years, Hammerfest's regional office has been reaching out to several contacts at Northern Cape and arranged cooperative project to the joy of many areas with similar climate challenges. Work in 2007 was mostly focused on Northwestern Russia, with emphasis placed on creating common areas to discuss

and have influence on housing policy, social housing work, the environment, energy and universal design. The good relationship between neighbors has made it possible for professional networking and development of expertise.

The Housing Bank helped to arrange the annual housing and living standard conference in Murmansk called "Our home in the North" together with Finnmark County, the Barents Secretariat and Murmansk County. The conference brought together more than 120 participants from Russia, Sweden, and Norway.

The conference's theme was "A complete perspective on development of Northern cities," which focused on housing and living standards for weaker groups in a vast expansion, and with its social challenges,

including drug problems. The situation is also very difficult for mentally and physically disabled in Russia who are often placed in institutions with a varying degree of quality. The Housing Bank has taken up these questions in several international arenas.

The conference's individual workshops included:

- Social challenges linked to housing for the needy.
- Energy conservation.
- Urban planning in light of industrial activities.
- Sister cities in Norway and Murmansk County.

The Housing Bank and NBBL arranged an ENØK seminar in conjunction with the annual housing fair in Murmansk on 18 May 2007.

Maklakova, in Murmansk, Russia, local community center

The Housing Bank, on request from the Russian provisional authorities, has taken part in developing a local community center with space for football, skating and other activities in Maklakova in Murmansk. The Norwegian-based model will give children and youth recreational opportunities in their local area, so they don't need to go into the center of town. The area of the town is fighting drug problems among both youth and adults, and many residents have socio-economic difficulties. Building this recreation center will help raise standards for the entire local area.

The project will also serve as a guide for establishing similar buildings in other areas. With its emphasis on universal design, stairs and benches were made to accommodate wheelchairs, the elderly, and children in strollers. This is new for the Russians.

The project brings attention to social housing challenges, universal design and environment. Future projects can benefit from this, including Russian authorities, the Housing Bank and various partners such as StatoilHydro.



Local community center in Murmansk



The push for Groruddalen

– a new and exciting job for the Housing Bank

Text: Toril Sætervang, Housing Bank, Eastern Regional Office

In 2007 the Norwegian government and Oslo municipality agreed to work together on Groruddalen for a 10-year period. The Housing Bank shall look after the interests of the State in one of the four program areas of the Groruddalen initiative; Program area 3, Residence, urban and locality development. The initiative includes four parts of the city: Alna, Bjerke, Grorud and Stovner.

The organization – three strategies

Complete area backing

Each neighborhood has picked a pilot project to focus on improving the outdoor area in the residential areas and their vicinities. The project will also either establish or improve areas where people gather, and local centers will be rehabilitated. Another important ambition is to secure local leadership and knowledge of legal procedures, which will continue to be useful even after the initiative is completed. Each area of town has established a project group in which the local population is actively involved.

The residential environment fund – for all of Groruddalen

The residential environmental fund is a support mechanism where the housing cooperative, in joint ownership with others, can apply for funds to improve the local surroundings. Cooperative projects in which the housing cooperative and the joint owners apply together will be prioritized.

Agreements have been made with OBOS and USBL, which will support the housing cooperative with professional help in planning and formulation of applications.

Attractive gathering areas

Funds have been set aside to establish and improve gathering areas in other



Furuset Center is Grandsdalen's closest neighbor, Alna district's area of initiative. Center owners are enthusiastic about the improvements in Groruddalen. Photo: Image Communication

residential areas and central areas. Every area of town has prioritized and chosen two centers which have been or are in the process of being improved.

The role of the Housing Bank Observer

The Housing Bank shall be an observer on the steering committee. The observer role includes maintaining quality control over the use of grant funds, to be a relevant player and give professional help in the work.

Resource person

The Housing Bank also takes part as a center of expertise by arranging excursions, meetings and by financing a process and leadership guide which the steering committees had access to during a limited time period. In addition, participants in the steering committees were invited to take part in a course on project management.

Case manager

The Housing Bank continues its traditional role in managing grant applications from the residential environment fund.

Social housing action plans

The four areas of the city have started with social housing action plans as a basis for the framework for the collective areas of initiative.

The main objective of program area 3 in the Groruddalen initiative:

To strengthen local identity, effective development patterns, good local centers and industrial areas, as well as attractive residential areas with effective outdoor areas and a good standard of housing and buildings.

Objective 1

A well-functioning housing market



The Housing Bank finances the most in relative terms in the districts.

Photo: Colourbox.no

A fundamental strategy for achieving the government's goal that everyone shall be able to live safe and well is laying a foundation for the market to work as effectively as possible. A well-functioning market will form the framework for a sufficient amount of good-quality housing to be built at the most reasonable price and adapted for the demand from the various types of households.

Objectives and instruments

The state's most important instruments for enabling a well-functioning housing and land market and effective building processes are legislation and regulations, organization, knowledge and communication, and good availability of housing and building financing.

The Housing Bank's roles and tasks within this main objective are largely related to giving advice and transferring expertise, but the Housing Bank also continues to ensure good access to financing. The transfer of expertise takes place via contact with the local authori-

ties and other players such as housing cooperatives, private developers, user organizations and research institutions. The Housing Bank contributes with information on statutory rules within the housing and building sectors. This particularly applies to housing legislation that is of great significance to the disadvantaged in the housing market, such as the legislation on rents. It is also important to direct the spotlight towards initiatives that lead to reduced growth in the building costs through increased productivity and higher quality.



and an effective building process

Housing Bank supplements the housing market

By supplementing the housing market through active use of its financial instruments, the Housing Bank helps enable the homeless and other disadvantaged members of society in the housing market to secure good-quality housing, which is one of the Housing Bank's main areas of priority. Together with the housing benefit and housing grants, the start-up loan is the most important financial instrument for securing housing for this target group. In addition, there are local authority rented homes, which the local authorities partly finance through housing grants. More details of these instruments are given under objective 2. On the financial side, the Housing Bank still plays an active role in the district and its work includes providing loans for housing investments in areas where private banks think that the security is too low to grant a loan.

International turbulence in the financial and housing markets has so far had little effect on the Norwegian housing market. However, the Housing Bank is aware that loans for the disadvantaged can have a higher risk profile in the event of a fall in housing prices and will give further consideration to how this challenge can be met. Good advice and information is essential, but an extension of the housing benefit can also be effective for reducing the risk of people having to leave their homes.

A separate problem that has arisen is the so-called low-deposit homes. Good information is essential in order for the market to work, and the Housing Bank has observed that the information in numerous low-deposit projects is insufficient. The Housing Bank will also

take a closer look at the possibility of minimising the risk of such projects by extending the security schemes and by carrying out credit risk assessments of purchasers of shares in all housing cooperatives.

In 2007, the average loan disbursement for homes with a basic construction loan was 76 percent. The Housing Bank financed 320 housing cooperatives from 2004 to 2007. Only 54 of these received a loan disbursement of more than 82 percent, and only 11 projects were financed with more than 90 percent. The most important role of the Housing Bank is to help the financially disadvantaged in the housing market. Housing projects based on low deposits and relatively high shared debt have been an instrument for achieving this goal.

One effective market initiative instrument for enabling newly-built homes to receive the desired accessibility and environmental qualities, is the use of letters of intent and other preparatory work aimed at housing cooperatives and housebuilders. The contact that the Housing Bank has with the construction industry shows that there is a willingness to try and exploit the potential in the projects, in order to meet the quality criteria. Implementing the quality requirements when improving existing housing is however more difficult to realise. The qualities are often regarded to be expensive and are not demanded by the housing owners. More details of housing quality are given under objectives 3 and 4.

Extensive housebuilding continues

The level of housebuilding was extremely high from 2003 to 2007, and actually increased in each of these years up to

2007. Housing production in 2006 was approximately 33,300 and roughly 33,000 units in 2007. The most important driving force on the offer side has been the strong growth in the prices of existing houses. The price growth has contributed to high profitability in new builds. The increased level of employment in the building and construction industry, including the high inflow of foreign labour, has enabled the increased housing production. The demand for housing has also remained despite the increase in interest rates. This is related to a historically low unemployment level and strong growth in households' incomes.

The housing price growth, however, has contributed to a major increase in debt in households, particularly among the young setting up home for the first time. The majority of the latter households have mortgages with a debt to value ratio of more than 80 percent. More than 35 percent of the loans to young people also exceed the value of the home according to a survey on mortgages conducted in 2006 by the Financial Supervisory Authority of Norway.

Higher growth in building costs

Although housing prices fell slightly towards the end of the year, the average housing price increase nevertheless exceeded 12 percent on an annual basis. Simultaneous to this, the increase in building costs, which in 2007 averaged 7 percent, has been the highest since 1988 according to Statistics Norway's building cost index. Housing production that is nearing the capacity threshold is generally a cost driver. The cost increase could counteract the housing policy goal of a well-functioning housing market, by helping to reduce the sale of existing

Objective 1

→ A well-functioning housing market and an effective building process

housing and particularly affect the housing offer to the most disadvantaged home-seekers.

The relatively strong cost growth is taking place simultaneous to major efforts to reduce the building costs and increase the productivity in the construction industry through the 5-year Building Cost Program (established in 2005). The greatest focus in 2007 was on the BuildingSMART project. By using modern electronic tools to plan and design buildings, the construction industry is able to increase efficiency and make cost savings throughout the value chain.

One of the Housing Bank's roles within the Building Cost Programme is to document the cost development of housing that is procured through the Housing Bank's loan and grant schemes. Building costs (i.e. project costs excluding price of land and other land costs) for housing approved for a basic loan by the Housing Bank in 2007 amounted to an average of NOK 1.6 million per home, and increased by around 10 percent in relation to corresponding costs in 2006. In terms of living area, however, the costs have only increased by 6 percent. This means that the building costs for housing with a basic loan from the Housing Bank increased less than the general cost increase, see figure 1. The average living area in homes with a basic loan was 83 square meters, and this is around 40 square meters less than the total average for houses being built in 2007.

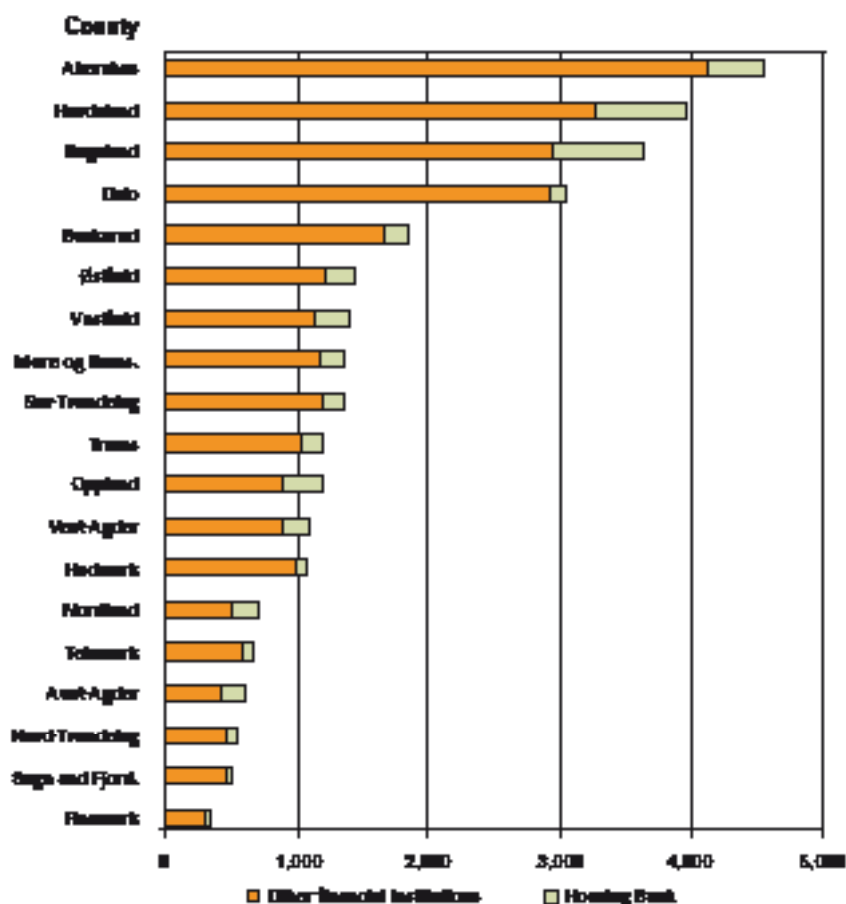
The Housing Bank makes provisions for housebuilding in the districts

For the fourth year in a row, the building of new housing has increased in the majority of counties in Norway, and the increase has been in different counties

every year. The increased building activity has therefore been well dispersed throughout Norway over a period of time. In absolute figures, the highest increase in newbuilds was in Akershus, where building was started on more than 4,800 homes or around 15 percent of the total housebuilding last year (ref. figure 1). In relation to the population, however, the building of new homes had the highest activity in Western Norway. Overall, housebuilding in North Norway also increased. The increased petroleum-related activity in the most northerly county in Norway appears to be causing a ripple effect. The Housing Bank's share of the total number of newbuilds in Norway was somewhat

lower in 2007; 13 percent compared with 20 percent last year. In 2007, the highest share by a large margin was in Aust-Agder (32 percent), Nordland and Oppland. These are counties with large rural areas. Aust-Agder is also a county with low housing coverage. In the last population census (FoB 2001), Aust-Agder had 415 homes per 1,000 inhabitants, while the national average was 436 homes per 1,000 inhabitants. A relatively large Housing Bank involvement therefore appears to be justified in this county. At the other end of the scale, the Housing Bank share was low in the central counties in Eastern Norway of Oslo, Akershus, and Buskerud.

Housing projects initiated and the Housing Bank's share in 2007





Objective 2

Housing for disadvantaged groups

The Housing Bank's most important role is to help secure a home for the disadvantaged and help them to remain there. Through active guidance and skills development, the Housing Bank aims to provide a foundation for the local authority's social housing efforts. The Housing Bank's financial instruments for the long-term settlement of the disadvantaged are housing benefit, start-up loans and housing grants. Housing benefit is the most effective instrument for housing the disadvantaged and fighting poverty.

Housing benefit scheme is modernized

Housing benefit is developed and improved on an ongoing basis. In 2007, the Housing Bank changed from an interim to a monthly housing benefit system with monthly payments to ensure quicker processing and payouts. The waiting time from first application to first payout for new housing benefit applicants was reduced by up to seven months. Thus increasing flexibility and ensuring a more efficient system for newly arrived refugees, among others.

Almost 130,000 households received housing benefit in 2007, around 8,000 more than in 2006. The majority of housing benefit recipients are pensioners, but there is also a large number of single parents and disability claimants receiving housing benefit.

Between 20 and 30 percent of housing benefit recipients fall outside the scheme every year. The two most common reasons for this is that the household is receiving an income that is too high to qualify them for housing benefit and that the application is cancelled because the household has moved and has to re-apply in the new home.



The FRI housing project in Drammen aims to ease the transition from prison to the outside world. The manager and a tenant. Photo: Housing Bank, Lajla Bakø

Housing benefit key figures

	2006	2007
Paid in NOK	2,213,895	2,335,960
No. of recipients	121,592	129,700
Average annual income per household in NOK	108,585	115,015
Average monthly living expenses in NOK	4,732	5,171
Average monthly payouts in NOK	1,730	1,826

New financing model for the purchase of housing for the disadvantaged and long-term settlement of refugees

The Housing Bank has developed a new financing model aimed at housing the disadvantaged. Bergen and Stavanger are taking part in a pilot project where the local authorities buy rented properties, financed with a 20 percent housing grant. An options contract is drawn up with a right to buy within three years and with certain conditions. The aim of the model is to reduce the rent for groups that find it difficult to secure a foothold in the housing market, and particularly those who are not entitled to housing benefit.

A number of local authorities already allow refugees that have lived and worked in the municipality for a period of time to buy the local authority housing they live in. The purchase price is set at the estimated value or 25 percent lower.

Objective 2

→ Housing for disadvantaged groups

However, some household groups still have problems entering the housing market but are excluded from the housing benefit scheme. This is particularly the case for single people and households with only one income. The Housing Bank has therefore proposed to extend the scheme to apply to such groups.

In 2004, a provision was introduced whereby housing benefit recipients would be obliged to withdraw if they had an increase in income exceeding NOK 10,000 per household member in a year, or more than NOK 20,000 per household member in two years. The scheme did not work as intended and after careful consideration was discontinued in 2007. Simultaneous to this, it was decided that the difference would be repaid to those who had complied with the duty to report and thus received a reduced housing

benefit. This resulted in the Housing Bank having to re-examine a large number of housing benefit cases. In November 2007, the duty to report cases were concluded with 8,300 back payments totalling NOK 42.6 million.

The number of complaints increased from 7,121 in 2006 to 9,717 in 2007. The main reason was that more individual decisions are now made as a result of the changeover to monthly payments. For 2007, a total of 672,000 individual decisions were made compared with 360,000 in 2006. Of the 9,717 complaints received by the Housing Bank, 6,443 were upheld.

Start-up loans and housing grants

Start-up loans are allocated by the Housing Bank to local authorities for further lending, and are aimed at helping

to provide and retain housing for the young and disadvantaged in the housing market. The loan is intended as a financing offer for housing initiatives that are not normally given loans in ordinary credit institutions. The housing grant can be given to the disadvantaged to set up their own home, to renovate or adapt housing for the elderly and disabled or for rented housing.

Housing financing in the private market has been readily accessible and the degree of joint financing between start-up loans and private loans has increased. The number of start-up loans has fallen in the past two years. In 2007, a total of 5,955 start-up loans were paid out compared with 6,532 in 2006.

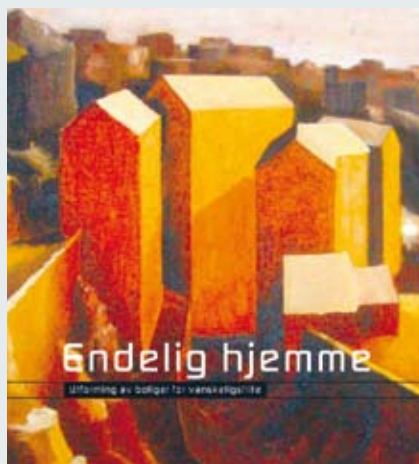
Around 60 percent of start-up loan recipients were setting up home for the first time. Single people with no children and couples without children accounted for 53 percent of recipients, and families with children represented 47 percent. The families with children received higher loans on average. Compared with previous years, the share below 35 has fallen, and was 44 percent in 2007. The share with incomes below NOK 400,000 was around 70 percent, which is less than in previous years. This implies that households with relatively high incomes also have problems in entering the housing market and have a need for start-up loans. Housing grants were given to 854 rented homes in 2007, which is 119 more than in 2006. Rented homes owned by the local authority are always given to those with the greatest need to be housed.

The housing grant for individuals has helped almost 1,604 households to buy their own homes, of which 59 were refugee households and 3 were

“Home at last” - the design of housing for the disadvantaged

In a collaboration with researchers in architecture and environmental psychology at SINTEF and NTNU Building and Infrastructure, the Housing Bank (southern regional office) has devised a sample collection that focuses on the quality of houses and the physical surroundings for the most disadvantaged members of society.

The sample collection shows how the design of houses can help to build a better life for the homeless and other disadvantaged groups. The significance of the physical surroundings is highlighted and shows how the housing design can contribute to positive processes that can lead to independence and improving the quality of life. The collection is aimed at local authorities, voluntary organizations, private developers, etc., in order for experiences to be used in municipal planning as part of holistic local development, where social housing objectives and the quality of surroundings are viewed as a whole.





homeless. The number has been relatively stable in recent years. The housing grant often acts as capital in combination with the start-up loan and loans in private banks.

Homelessness

The strategy entitled “A home of one’s own” was concluded in 2007. The strategy, which is a collaboration between the Ministry of Local Government and Regional Development and a number of other Ministries, is aimed at eradicating homelessness in Norway. The Housing Bank’s loan and grant schemes are used actively to achieve the defined objectives.

We know from experience that it is essential for prisoners being released from jail to be offered a long-term housing solution. Collaboration agreements have been established in a number of areas between the criminal custody authorities and the associated local authorities.

The Norwegian Government’s Award for Best Homelessness Initiative in 2007 went to the TOG project, which is a collaboration between the criminal custody authorities in Eastern Norway and Boligbygg Oslo (see the article on page 14).

In 2007, the Housing Bank pledged resource grants totalling NOK 24.5 million, spread between 163 different projects within the strategy. This accounts for less than a third of the funds that are allocated to resource grants in total. In terms of project numbers, homeless initiatives accounted for 41 percent of all projects that received support in 2007.

International conference on homelessness in Oslo

The Housing Bank held a European conference on homelessness on 18–19

June 2007, with 90 participants from 20 European countries. The joint organiser was the EU organization Feantsa, which represents European organizations connected with combating homelessness.

The EU has put the fight to end poverty and homelessness on the agenda. Norway is part of this European collaboration. The new member countries from East Europe have major housing policy challenges, and are also determined to find solutions for the disadvantaged.

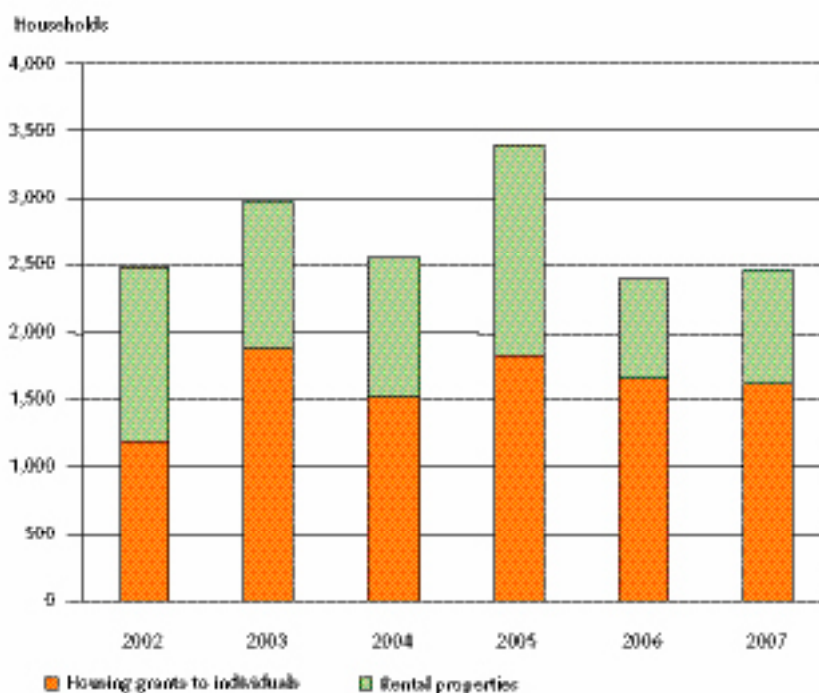
Mapping homelessness varies between the European countries. Finland has compiled annual register-based figures for a number of years. Some countries do not keep any figures at all. One of the objectives within the EU is to have a mapping system that is harmonised between the countries and can enable comparable analyses.

A number of countries were quick to initiate the social housing collaboration between the state and local authorities. Scotland has established a statutory right to housing from 2012, and is working systematically to accomplish this. The

Start-up loan key figures

	2006	2007
No. of start-up loans	6,532	5,955
Average start-up loans per home in NOK	474,128	567,070
Average cost per home in NOK	859,010	1,056,179
Average share of start-up loan of cost	55%	54%

Housing grants for individuals and rented properties



Objective 2

→ Housing for disadvantaged groups

effort to combat homelessness is extensive, but the definition “self-inflicted homelessness” means that some of the disadvantaged members of society fall outside the rules of entitlement.

The homelessness effort was initiated in England and the Netherlands before Norway, and their work is producing positive results. These countries have had major challenges in providing good

temporary housing for high numbers of homeless persons. This work is also bearing fruit by improving the quality of life of the most disadvantaged.

The Housing Bank’s role as coordinator in the fight against homelessness is generating interest in the international fora, as is the close collaboration with the Directorate of Health and Social Affairs and other state bodies. Ireland has a

similar coordination and collaboration through the creating of joint offices both centrally and on a regional basis. The common features of most of the experiences is that the collaboration creates challenges, particularly between the housing sector and the health and social sector.

Help with orienting yourself in the housing market



The Housing Bank launched “Living” on 10 May, which is a web-based information module in seven languages covering various topics related to living in Norway.

For newcomers to Norway, finding housing is vital in order to settle in a new country. Poor Norwegian skills and a lack of insight into living in Norway can lead to many being poorly equipped to find their first home.

By navigating their way around the Housing Bank’s website, users can see how Pierre and his three friends find information and identify different roles in the housing

market. As they do so, they find explanations to terms such as survey report, TV licence and deposit. The module combines video, text and images, and offers users the chance to listen to explanations in their native language. The languages used are Norwegian, English, Urdu, Arabic, Farsi, Somali and Russian.

Included in the Norwegian training

“Living” covers topics and problems such as whether to buy or rent. What are the conditions of taking out a mortgage with a bank? How can the Housing Bank help? The combination of text, sounds, images and video clips made the module a success with the test users in 15 municipalities and districts across Norway.

Migranorsk AS made the film series and compiled the text in collaboration with the Housing Bank. The sequences are also used as part of the language training programme at 120 educational institutions. The project is part of the focus by the Housing Bank on spreading knowledge of the housing market to new groups of the population.

“Living” is free

“Living” can be used free of charge. Local authorities that make the information module available on its websites can obtain material from the Housing Bank.

Further details are available at www.husbanken.no



Hausmannsgt 16, winner of the State Award in 2006. Photo: Norsk Designråd

Objective 3

Sustainable quality

The environment and energy are important focus areas. The basis for the Housing Bank's environmental work is the environmental action plan for 2005-2008 issued by the Ministry of Local Government and Regional Development. One of the key national environmental targets in the housing and construction sectors is for 50 per cent of all new homes to halve their energy need by 2010.

The Housing Bank shall be a driving force and guide for realising national environmental targets in the housing and construction sectors. This entails reducing energy consumption and the use of hazardous materials in building materials, as well as reducing the amount of building waste and increasing the reuse of building materials.

Half of all new homes have sustainable environmental qualities

Almost half of all new homes financed with the Housing Bank's basic loan had a special environmental quality. Nearly all of these have implemented energy savings. With regard to new homes, the energy saving is 40 percent or more, and for improved homes, 20-40 percent. It is still easier to make adaptations for sustainable solutions when building new houses as opposed to converting existing buildings.

The Housing Bank has a number of instruments at its disposal to encourage good-quality buildings and outdoor areas; loans, grants, information and advice. The Housing Bank's resource grant is aimed at supporting projects that stimulate environmental development in the housing and construction sectors.

The Housing Bank provides support for the development and execution of pilot projects with a high transfer value and which in the long term can help to meet national environmental targets. The projects that received a resource grant in 2007 within the environment and energy area focussed on various subjects such as developing passive houses and low-energy houses, documentation of environmentally-friendly materials in houses and buildings, developing the scheme for the Swan labelling of houses, reuse and recycling of building materials and products.

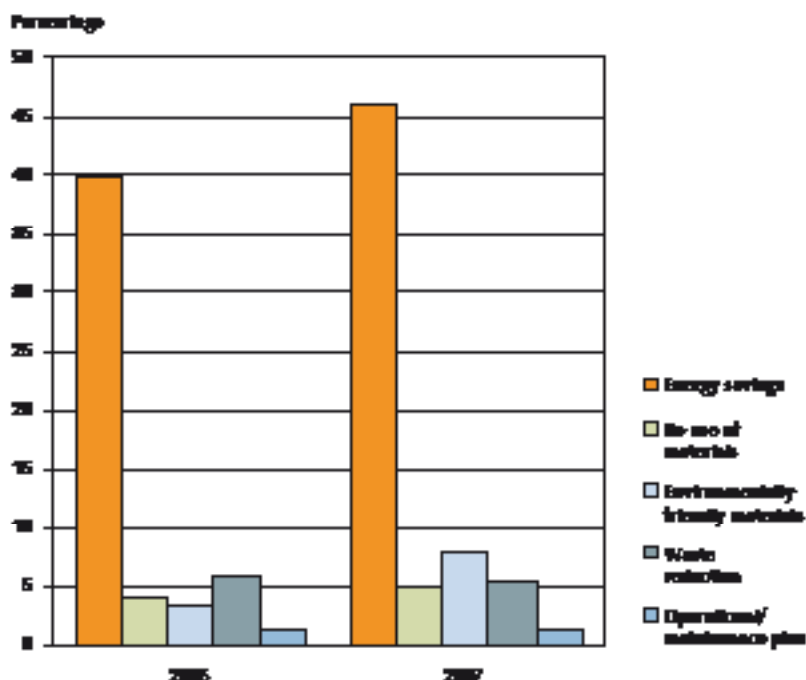
Resource grants for environmental and energy projects

In 2007, resource grants were given to 138 environmental and energy projects totalling NOK 27.7 million. Of this, NOK 15.3 million was pledged to 75 projects within the environment and energy. Pledges were also given for 63 projects within local development with pledged amounts totalling NOK 12.4 million.

Within sustainable quality, safety and good aesthetics in the developed environment, the resource grant is aimed at helping to improve knowledge of what a good living environment, good housing quality and good local development entails. A targeted follow-up of the national budget was a major focus on local development in selected areas in Oslo. A total of NOK 30 million was earmarked as the grant ceiling for a holistic focus on local development in Groruddalen (ref. the article on page 23).

The Housing Bank expects the districts to actively carry out local development work, which will be based on a local foundation and ownership in the districts. This will lead to sustainable local development, which can also create

Percentage of houses with a basic loan¹⁾ in 2006-2007, by type of environmental quality²⁾



1) Basic loans for purchases are not included.

2) A house can have more than one environmental quality.



further development when the period of focus ends.

State Award for Best Project against Homelessness given out for the 25th time

The State Award is presented every year to construction works and constructed environments that help to raise, renew and develop building designs and local development in Norway. The Housing Bank is the secretariat for the jury, which had numerous good projects to choose between in 2007. In the housing development project entitled "From hospital to a healthy home," the former Rikshospitalet was converted to the residential area Pilestredet Park. The main focus was ecology and sustainability. Important energy and environmental targets were achieved in an "exemplary



Kantum housing for young people in Hokksund was given an honourable mention by the Building Design Award jury in 2007. Photo: Code arkitektur AS

manner" according to the jury. The project distinguishes itself through the beautiful design of outdoor areas and

buildings with new functionality linked to urban ecological goals.

Houses and buildings with the Swan Nordic Ecolabel

The Housing Bank and Nordic Ecolabelling have entered into a collaboration agreement to market houses with the Swan label in order to help create a breakthrough for environmentally-friendly housing. Houses with the Swan label meet the environmental requirements for financing via the Housing Bank's basic loan, where up to 90 percent financing is offered.

A number of major contractors have entered into agreements to build detached homes with the Swan label. Fokus Bygg, which is a member of Mesterhus, has begun building work on a housing development with 17 detached homes with the Swan label in a chain at Valderøy outside Ålesund. The houses will be constructed as turn-key, low-energy homes and will be the first housing development in Norway to have the Swan ecolabel.

Nordic Ecolabelling is making the requirements for Swan label houses more stringent, while also making it possible for flats to have the Swan label. The tightening of the requirements for small houses with the Swan label will have consequences for the requirements set for the choice of materials and on what emphasis is placed on the use of materials bearing the Swan label. The Swan label provides quality assurance that the house has a good indoor climate, low energy consumption, good standard, low impact on the environment and contains few hazardous materials.

Together with Nordic Ecolabelling in Norway and SINTEF Building and Infrastructure, the Housing Bank has initiated a project to gain knowledge on how good-quality, healthy and environmentally-friendly nursery schools can be built in Norway. The knowledge that is gained during the project will lead to a proposal being developed for requirements in relation to nurseries being accredited with the Swan label.



Objective 4

More universally-designed homes



Pilestredet Park. Photo: Marte Gahrman Johnsen

The Housing Bank focuses on universal design and aims to make as many homes as possible, both in relation to newbuilds and carrying out improvements to existing buildings, accessible to everyone. This goal will be achieved by means of financial and legal aids, as well as a strengthened focus on information and increasing the level of expertise of key players and consumers in general.

Universal design entails buildings and outdoor areas in common use being designed in a way that they can be used by everyone equally as far as this is possible, without special adaptations or aids. This means that buildings and outdoor areas that are adapted for the elderly, families with children, the

disabled and other groups can be used by everyone effectively. Universal design is an important area of national focus. It relates to improving the quality of life and enabling everyone to take part in all areas of society. The number of elderly is going to increase considerably in the future as is the proportion of elderly in the population as a whole. Society will be faced with major challenges in connection with the demographic development in the years to come. This will mean a major need and demand in the housing and construction industries for housing and buildings with good solutions for the elderly with reduced mobility and disabilities. Society will be served by surroundings that are designed in such a way that the majority can function in their everyday lives.

Universal design in 2 out of 3 new Housing Bank houses

In 2007, basic loans were paid for the construction of 4,194 new homes. Of these, 2,805 were universally designed. Achieving a universal design is more of a challenge when improving existing buildings. Consequently, the universal design share of the total number of homes receiving a basic loan was 50 percent. With regard to buildings that received a renovation loan, giving the communal areas a universal design was most common.

Skills development and information work

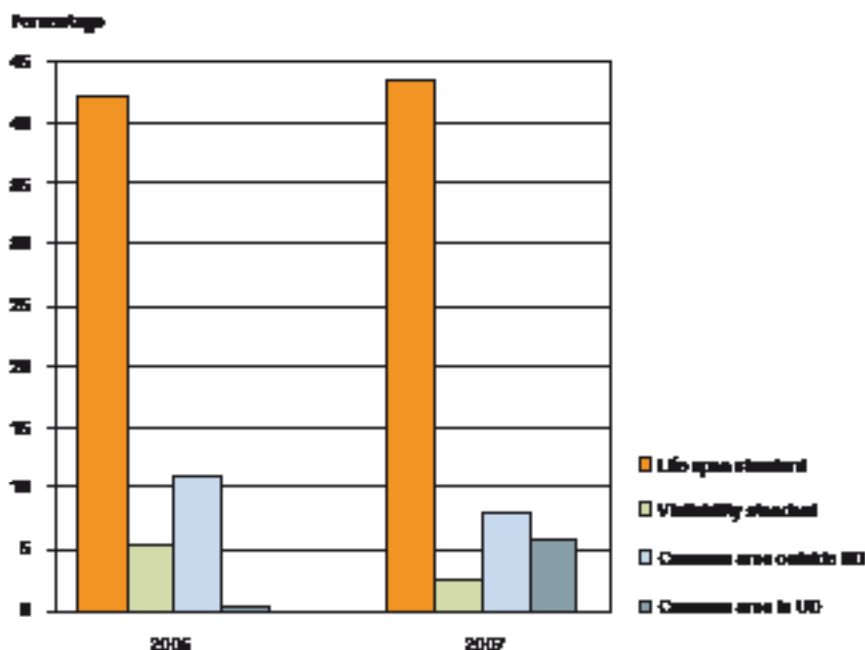
Efforts aimed at information are crucial in order to raise the awareness of universal design. In addition to the



resource grant and other instruments, the Housing Bank plays an active role as a guide and contributor to skills development within universal design. In 2007, support was provided for courses, conferences and information work in order to promote universal design. The Housing Bank works together with university colleges and other educational institutions in relation to courses, seminars and specialist seminars. The Housing Bank actively develops networks between players that can contribute to spreading and raising the level of expertise within universal design. Applications can be submitted for grants to cover some of the excess expenses of planning. Pilot projects can also receive good loan financing from the Housing Bank. Developers can enter into letters of intent with the Housing Bank.

In order to encourage good-quality buildings and outdoor areas, the Housing Bank has a number of instruments at its disposal. These instruments include grants for adaption work and project planning grants. Both grants for adaptations and project planning grants are primarily allocated to the elderly and

Percentage of homes with a basic loan¹⁾ with various qualities within universal design in 2006-2007²⁾



- 1) Basic loans for purchases are not included.
- 2) A house can have more than one quality.

disabled upon application. The grants help households with special housing needs, particularly the elderly and disabled, to have the opportunity to secure good housing solutions. In 2007,

a total of 443 homes received a project planning grant and 419 received grants for adaption work, in collaboration with the local authorities.

The information campaign “It’s your fault!”

In 2007, the Housing Bank and the National Office of Building Technology and Administration (BE) launched an extensive information programme and the website www.dinfeil.no, which is aimed at helping to disseminate information and raise awareness of how buildings, houses and outdoor areas can be designed in such a way they can be used by everyone in varying circumstances.



In order to succeed in reaching as many people as possible and providing information on a difficult subject, it was crucial that the communication was disseminated in an understandable, non-exclusive and amusing way. The [dinfeil.no](http://www.dinfeil.no) website was one of the channels used to convey and spread the message. A number of elements were used, such as cinema advertising, competitions, tests and animations. The campaign will also show that universal design is not boring and does not undermine the design.

A survey by Opinion AS shows that around 1,300,000 persons aged over 15 were exposed to the campaign, and more than half would like to follow the way of thinking in any extensions or conversions.

Universal design in new garden city

Text: Øyunn Syrstad Høydal, the Housing Bank, Eastern Regional Office

At Northern Finstad, outside Ski center, a residential area is planned that is so unique that the project is being supported by both the Nordic Council of Ministers and the government.

Both the elderly and the young, regardless of their mobility, will have the same opportunities to thrive at Finstad Hageby. The development is a collaboration project between Skanska Bolig and Ski municipality, and is supported by the Housing Bank, the Information Program for Universal Design and the Building Cost Program.

Important to the local community

Finstad Hageby will consist of around 360 homes when the area is completed in seven to eight years. These will be made up of small terraced houses and linked villas in addition to flats in low-rise buildings. "Finstad - Housing for all" is the vision for the project collaboration, with the focus on universal design. "A development with the main emphasis on universal design is of great value to the municipality," says Rose Byrkjeland from Ski municipality.

Learning arena

Finstad Hageby is more than a residential area. The aim is that it shall be both a

showcase for universal design and a learning arena. The collaboration will help to develop and acquire knowledge of what is required to create a residential area with housing and outside areas that can be used by everyone. The development plan and buildings plan have so far been the main topics. The process has been educational for the participating parties and the experiences have also benefited other local authorities and the construction industry through newsletters and conferences.

Aiming high

"We search for the perfect solution but considerations always have to be made in relation to natural and financial conditions. This means that the solutions and degree of accessibility will vary in the various housing developments and types of housing. Not all houses will be of a universal design," says Nina Asphaug Selboskar, the universal design coordinator in Skanska.

In practice, this will entail around 260 blocks of flats having access without steps and with a lift, whereby all flats can be used regardless of whether the tenants are able-bodied or wheelchair users. Additionally, around 100 terraced houses and linked villas will be built with a life cycle standard. This means access without steps to the ground floor - and a design where both living rooms, kitchens

and bathrooms are found at the entrance level and where bedrooms can also easily be accessed.

Outdoor areas for everyone

"The area has a height difference of 14 meters. In order to make the area accessible, extra attention had to be given to the gradient, among other things. The footpaths inside the complex shall also have practical surfaces and be well lit so that it is easy for everyone to get around," says Lars Lund Mathisen in Skanska Bolig.

The head architect in the Housing Bank, Siri Helle, who is the project manager for Finstad Hageby, is responsible for all parties focussing on universal design during the entire planning process. She praises Skanska Bolig for their efforts. "The participation in this project shows that the developer is taking his responsibilities to the environment seriously."

Increased focus on universal design

The focus on universal design has been extensive, both by the municipality and the developer. An unusually early interest by the public has also been reported in relation to the project and the focus on universal design.



Facts on Finstad

A collaboration project between:

- Ski municipality
- Skanska Bolig
- Information Program for Universal Design
- Building Cost Program in the Housing Bank

Construction is planned to start in 2008.



Other policy areas

High demand continues for nursery school loans

The nursery school loan is one of the instruments aimed at achieving the goal of full nursery coverage. The Housing Bank will contribute to this through financing and guidance. The Housing Bank financed 6,440 places in 2007. This is somewhat fewer than the past two years, but nevertheless considerably higher than the levels in previous years. The fall in 2007 is no doubt due to the fact that many municipalities either have or nearly have full coverage.

Student accommodation grants

Since 2004, the Housing Bank has been responsible for administering grants for student accommodation. The expertise department provides grant approval for support to build new student accommodation, or to purchase and convert existing housing stock that is not currently used as student accommodation. The Housing Bank gives advice, ensures quality, approves building projects and pays out grants for student accommodation projects.

In 2007, a total of NOK 66.8 million was paid in grants for 6 projects with a total of 333 student accommodation units. The corresponding figures for the two preceding years are 377 and 98 living units respectively.

Grants for sheltered housing and nursing homes

The action plan for the elderly was concluded in 2003. The target was 38,400 sheltered housing homes and nursing home places. More than 90 percent are complete, but around 3,000 units remain, which will be completed in 2007 or the first half of 2008.

In 2008, new investment grants were introduced for residential care homes

and nursing homes, which will be administered by the Housing Bank.

Interest compensation for educational institutions

In 2002, a new grant scheme was introduced for local authorities and county authorities where they can receive compensation for interest expenses in connection with building new and improving existing educational institutions. The scheme provides interest free loans for the local authorities (primary schools and lower secondary schools) and the county authorities (upper secondary schools). The interest costs for the entire 20-year period are covered based on a corresponding loan with a floating interest rate in the Housing Bank. The scheme is aimed at stimulating municipalities and county authorities to build new educational institutions and convert and equip existing buildings. The aim is to provide good learning conditions for all pupils in primary schools, lower secondary schools and upper secondary schools.

In 2007, the total compensation was NOK 524 million, of an investment ceiling for the year of NOK 2 billion. In 2007, compensation was given to 61 projects, which benefited slightly less than 13,000 pupils. This is quite a few less pupils than previously, due to the fact that the percentage of newbuilds was much higher than conversions under the scheme than the previous year. Since 2002, a total of 1,458 projects at 1,144 schools have received support for interest expenses.

Interest compensation for church buildings

In 2005, a new grant scheme was introduced to cover municipalities' interest charges for improvements to church buildings. Listed and protected church buildings are given a high priority. The scheme was extended in 2006 to

also cover the building of new churches and extensions to existing churches.

The investment ceiling was NOK 300 million in 2007 compared with NOK 500 million in 2006. In 2007, compensation was given to 96 church projects compared with 204 projects in 2006, of which 62 projects related to listed or protected churches in 2007.

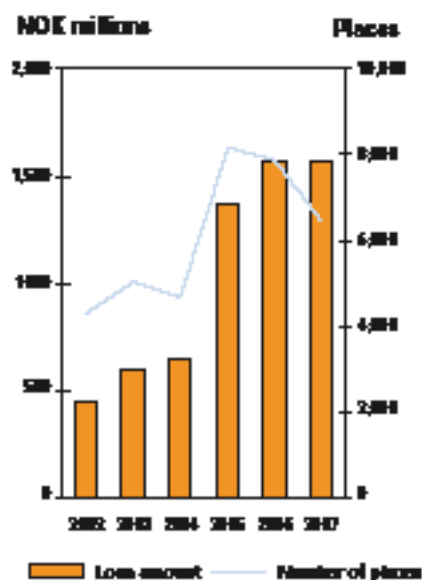
Grants for regional development

In the fourth quarter of 2006, the government introduced a new grant aimed at stimulating further work and efforts in local development. The ceiling was NOK 6 million.

The entire grant ceiling was spent in 2006 on projects within local development in the municipalities of Iveland, Farsund, Suldal and Leirfjord, and on following up the network for the regeneration of towns.

The ceiling was NOK 4 million in 2007, all of which was spent by the local authorities in Voss, Rennebu and Løten in connection with the development programme BLEST (Interest and involvement in small towns and communities).

Nursery school loans 2002-2007



Objective 5

Effective and user-friendly administration

Interest rate trends

General interest rates increased in 2007, and the floating interest rate increased gradually from 3.5 percent at the start of the year to 4.8 percent at the end of the year. However, this is considerably lower than the interest rate in the private market that reached two percentage points higher in the year.

The Housing Bank also has a number of fixed rate plans to choose from. In 1996, a 5-year fixed rate was introduced, from 2004, a 3-year rate and from 2006 an offer of a 10-year fixed rate was also introduced. The fixed interest rates have remained in the region of 0.5 percentage points higher than the floating rate. In 2007, the floating rate increased in line with the interest rates in general. However, the fixed rate increased less and even fell at the end of the year. The reason for this is expectations in the market that the interest rate will fall in the longer term.

Loan portfolio increases

The number of loans that the Housing Bank administers has fallen in recent years and in 2007 is approximately 72,500, compared with around 80,000 in 2006. Fewer loans were paid than previously, and the redemption of old loans increased after the opportunity to transfer loans when property is sold ended in 2004.

Nevertheless, the individual loans are considerably higher than previously and the extraordinary payments are lower than normal, which is likely to be due to the relatively low Housing Bank interest rates. The loan portfolio thus increased somewhat in 2007. A total of NOK 12 billion was paid in loans in 2007 and the loan portfolio was in excess of NOK 97 billion; NOK 2.5 billion more than in 2006.

Advice prevents defaults and losses

The ongoing prioritising of good advice and the relatively low interest rate level have led to a historically low number of defaults, with only 1,049 defaulted loans in 2007 compared with 1,228 in 2006. The Housing Bank attaches importance to identifying solutions for the borrowers that have difficulty paying in order to let them keep their homes. However, there are a few cases where a compulsory sale is necessary.

It is normally debt to parties other than the Housing Bank that entails such a strain on finances that a compulsory sale is the only solution. A compulsory sale notice is only served after other solutions have been explored. When a compulsory sale has been ordered, the Housing Bank considers solutions that could stop the compulsory sale. In 2007, a total of 396 compulsory sale notices were issued and 68 compulsory sales were carried out. An eviction notice is sent in the few cases where the owner does not cooperate with the assistants working on the compulsory sale. A total of 36 eviction notices were issued, but only three of these were carried out.

In the Housing Bank, loss is established when the property is sold at a price that is lower than the total debt. The gross loss in 2007 totalled NOK 12.9 million compared with NOK 19.3 million in 2006. Personal borrowers account for NOK 7.3 million and foundations for NOK 5.6 million. Written-back losses totalled NOK 2.2 million, meaning that the net loss was therefore NOK 10.7 million.

The Housing Bank charges the losses to a separate risk fund. Low losses over a number of years have led to no funds being allocated to the risk fund since 1998. In 1998, the fund totalled NOK

173 million, and as of 31 December 2007 has fallen to NOK 67.6 million.

The Housing Bank recognises that the potential for loss is increasing for various types of loans. Current lending has a higher debt to value ratio than previously, particularly in relation to young people setting up home for the first time. This means a risk of loss in the longer term. Previous years indicate that rental loans to foundations carry a high risk of loss, but limited companies that rent out housing can also experience an increase in financial problems.

The Housing Bank has considered the loss potential in the short term and has reviewed loan commitments where the customers have financial problems or where the loans have been defaulted. These matters are dealt with by implementing measures in the form of delayed payments, repayment exemptions, extensions to the term of loan, interest exemptions, etc.

Foundations with rental loans are particularly exposed to loss. As these loans start to accrue interest and repayments, this has often occurred simultaneous to necessary maintenance. In addition, a number of foundations are located in areas where workplaces have been closed down and where relocation has been extensive. This makes it difficult to find tenants, or to charge rent that is high enough to cover expenses.

At the end of 2007, the Housing Bank had given a total of 2,157 loans to foundations, which amounts to NOK 4.9 billion. The potential for loss on these loans is estimated to be approximately NOK 50 million over a 2-4 year perspective. Half of this relates to projects in Central Norway and Northern Norway.



The Housing Bank as a center of expertise

Development and dissemination of knowledge on housing policy issues is a key part of the Housing Bank's activity. The core values of openness, diversity and interaction shall form the foundation for our method of working. The Housing Bank must interact with other participants in order to obtain knowledge, must be open and share this knowledge with others and create diversity in the development and dissemination of knowledge.

Dissemination of knowledge

The Housing Bank shall be an active driving force within the housing policy area. The dissemination of knowledge and information aimed at individuals, local authorities, interest groups, research institutions, housing cooperatives and participants in the housing and construction industries is therefore a pivotal part of the Housing Bank's activity. In 2007, the Housing Bank arranged 1,017 meetings, seminars, network meetings, specialist seminars or other activities aimed at external participants. Approximately 25,600 persons took part in these arrangements, who topped up their knowledge of housing issues, mainly in connection with social housing.

Library for housing as a specialist subject

In 2005, the Housing Bank created a library for housing as a specialist subject, with its head office in Drammen. The library service shall help in the efforts to strengthen the Housing Bank's role as a center of knowledge and expertise in housing, and be a strategic resource in the housing policy work. The library has both physical and virtual resources. The library is linked to the national network of libraries and has a collaboration agreement with the library at the Drammen Science Park.

Collaborating with other players for increased effectiveness

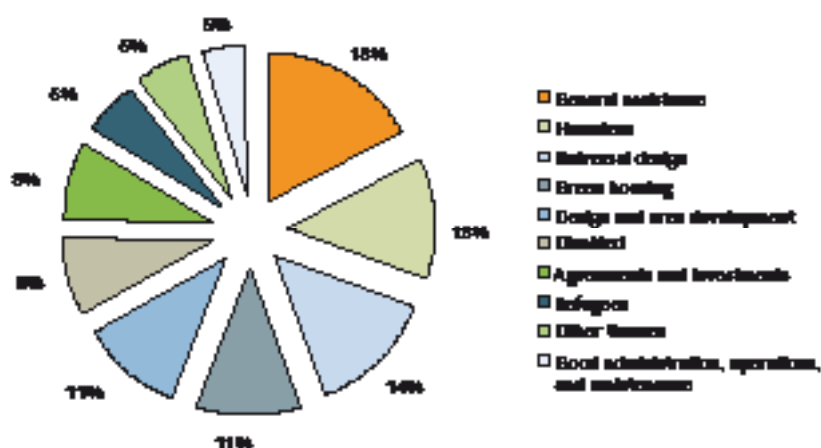
The Housing Bank cooperate closely with the municipalities, which can be regarded as the Housing policy's front line of implementation. The municipal sector is therefore the main collaboration partner, and a formal agreement to this effect has also been entered into with KS (The Federation of Norwegian Municipalities). The Housing Bank enters into various types of agreements with collaboration partners in order to increase effectiveness of its work. These letters of intent specify the main features of the collaboration between

the parties, as well as the principles and strategies on product development and innovation. These are agreements that go beyond the individual housing project and are more geared towards arena building or branding. Examples of such collaboration agreements are those between the Housing Bank and the Directorate of Labour and Welfare and the Directorate of Health and Social Affairs.

Formal agreements create effective forms of collaboration and increased predictability, which in turn helps increase effectiveness. The Housing Bank had more than 40 national and regional letters of intent in 2007, and around 30 collaboration agreements. The Housing Bank will ensure that information on and the opportunity to enter into formal agreements will be available and possible for all serious participants within the area of welfare policy, thus ensuring non-discrimination.

The Housing Bank's agreement with Migranorsk on the development of the housing module "Living in Norway" is another successful collaboration project. The housing module consists of six parts; various homes and living arrangements, living - things in the house, residential environment, rent or own, financing and how to obtain a home. The module is available in English, Urdu, Arabic, Farsi, Somali and Russian.

Distribution of arrangements in the housing policy focus areas



The Housing Bank places emphasis on dialogue with the users

In 2006, the Housing Bank conducted two major user surveys. One survey was aimed at the Housing Bank's professional users; developers and municipalities that had been in contact with the Housing Bank in the last two years. The other survey was aimed at housing benefit recipients. A clear majority were satisfied with the Housing Bank's efforts in resolving problems and its expertise. Although the housing benefit

recipients gave the impression that they were satisfied with the housing conditions, they also indicated that finances continued to be overstretched.

A user survey in 2007 was conducted in connection with a major survey of the Housing Bank's reputation, which will also be carried out in relation to local authorities and developers. The focus of the user survey in 2007 was connected to awareness of the Housing Bank and its work. The survey also covered attitudes to certain housing policy issues.

The majority of respondents agreed that the authorities have a responsibility to help people obtain their own home where they cannot manage to do so on their own, and to make housing in Norway more environmentally friendly and energy efficient. Slightly more than half of all respondents believed that the best way for the authorities to help people obtain their own home was through favourable loan schemes and by building affordable municipal rented properties.

The respondents were asked what the authorities provide by way of loans and grants in order to help people settle into their own housing unit. A total of 32 percent gave the right answer, while 65 percent didn't know and 4 percent answered incorrectly. Respondents that gave the wrong answer were then asked directly if they had heard of the Housing Bank. When prompted, 72 percent said they had heard of the Housing Bank, while 28 percent said they had not.

The overall awareness of the Housing Bank is reasonably good, even though not everyone was aware of the Housing Bank's changed role from general housing bank to welfare service. The Housing Bank must continue its efforts in relation to information dissemination and as a guide to

collaboration partners and will follow up with surveys on the Housing Bank's reputation among local authorities and in the housing and construction industries.

Modernisation and development of IT systems

The main plans for the IT modernisation in the period 2005-2007 have, among other things, resulted in the restructuring of the technical platform of all the Housing Bank's business systems, establishing Internet banking and an extra network, and the development of a new housing benefit system. Through the "New technical platform" project, the Housing Bank moved its systems for executive work in 2006 from an IBM mainframe environment to a new technical platform based on blade servers and PCs. This will also enable an alignment with the eNorge plan in 2009. The restructuring of the housing benefit system was carried out in a number of phases with the gradual transfer to a new system based on a web interface and open standards. The development of the housing benefit system will be completed in 2008 on a new platform. The changeover to more open standards has resulted in considerable savings in relation to running costs.

The new IT strategy for the period 2008-2010 was devised in 2007 in line with recommendations in eDialog 2010, and includes the following main points:

- Use of open IT standards, service-oriented architecture and source code.
- By 2009, all relevant services in the Housing Bank will be accessible on the Internet and adapted for the electronic retrieval of users' own personal information. The main channels for private customers will be Minside and husbanken.no.
- In 2008, all relevant interactive services for the business sector will be accessible through the service portal Altinn.
- In the period up to 2009, preparations

will be made for digital interaction in the public sector whereby non-sensitive, formal communication between the public authorities will mainly be electronic.

International work

The Housing Bank is the institution in Norway with the broadest international expertise on settlement issues, and in 2007 took part in a certain amount of specialist efforts, including abroad. We are active participants in the European Housing Research network and keep abreast of relevant international trends within policymaking in our specialist areas. Particular emphasis is placed on what's happening in the EU and in neighbouring countries. Two members of staff have been in Brussels for work and study purposes in order to make contacts and learn about the EU's assessments and initiatives within housing policy issues.

The Housing Bank has a special role to play with regard to creating networks and meeting places where experiences from research and private and public interests are brought together. This also applies to our international work. In addition, we participate in and take on special tasks for international fora when requested to do so by the Ministry of Local Government and Regional Development (KRD). In order to be able to take part in international work, it is crucial that we have the necessary expertise. Raising skill levels, including what is happening in the EU in relevant areas, has therefore been given priority.

The regional offices also have international collaborations within various specialist areas. Among other things, the Hammerfest office is involved in a collaboration in the northern areas, which is discussed in an article on page 22.



Lysaker Brygge, winner of the
State Award in 2004. Photo:
Arkitektkontoret
Kari Nissen Brodtkorb AS

Organization and personnel

Employees' ability to adapt and expertise are vital to being able to fulfill the role of center of expertise. Systematic organizational and skills development measures are therefore implemented that take account of HSE, equality and diversity. This helps to develop the Housing Bank as an attractive employer. The core value of openness, diversity and interaction reflect this.

Organizational development

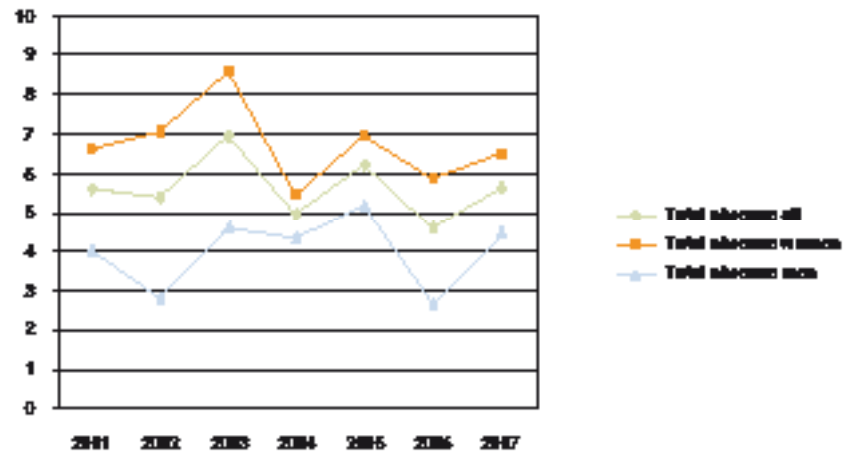
Target-oriented and performance management are the main management principles in public administration. Risk management and internal controls are key parts of target-oriented and performance management. The administration compiled a report on risk management in the Housing Bank in 2007, which assesses the risk in the different areas of work. The review identified two high-risk areas: A shortage of some types of expertise in some of the offices and an absence of conveying results within key areas. The Housing Bank will therefore prioritise the skills development in the future and further develop systems for conveying results and reporting.

The Housing Bank's activity is regionalised, and identifying solutions that are most effective and user friendly is an ongoing process. The centralization of the loan administration work to the administration office in Drammen has led to efficiency improvements and given the regional offices the opportunity to carry out skills development and prioritise the resources for efforts that result in housing policy gains. The Housing Bank is continuing its efforts to further increase the efficiency of the banking work.

A greener Housing Bank

The Housing Bank's activity in the housing sector is largely based on identifying sustainable and environmentally-friendly solutions. With regard to internal office

Sickness-related absence in the Housing Bank as a percentage



operations, a project entitled "A greener Housing Bank" was established in order to develop sustainable and cost-effective solutions internally. *A green alliance with the future generations* is the vision for the project.

The Hammerfest office has been certified under the Norwegian Miljøfyrtårn environmental certification scheme and the three central offices in Drammen have carried out a joint environmental review with a view to becoming certified. Internally, the Housing Bank has placed special emphasis on source segregation, and reducing the paper and energy consumption. A travel policy has also been drawn up that promotes less travel and greater use of public transport. The Drammen offices have also drawn up an environmental agreement that refunds part of the employees' costs for public transport to and from work. A work journey survey conducted in 2005 revealed that a total of 82 percent of employees use public transport, and a new survey will be carried out early in 2008. The Housing Bank previously entered into an agreement with the non-profit organization Fair to send used IT equipment for recycling to developing countries.

Personnel

The Housing Bank has 368 employees, made up of 219 women and 149 men. Of the 368 employees, 23 are currently on leave. The Housing Bank has had an increase in the number of male employees in recent years, and the share is now 40.5 percent.

The boards

The Housing Bank has one Executive Board and six regional boards. The share of women in all boards is 57 percent. The boards are chaired by four women and three men, which gives a corresponding share of women of 57 percent.

Job categories

Over a 10-year period, the Housing Bank has made a conscious effort to increase its share of women in executive posts. The share of women has increased from 26 percent in 1999 to 58 percent in 2007.

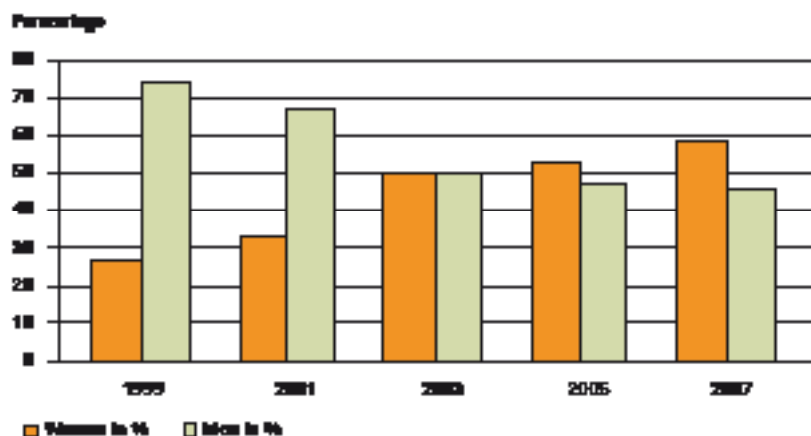
Women are over-represented in office positions and executive work posts. Men are over-represented in the job category for higher level executive work posts.

Salaries

There are few wage disparities between men and women on a like-for-like basis.



Share of men and women in executive positions 1999-2007



The disparity has increased in the largest job category; advisers. The main reason is that many women were promoted to adviser as part of the local pay settlement. The disparity in adviser posts is now 3.3 salary grades. The average salary for women is a 52.6 salary grades compared with 58.2 for men. This corresponds to a total average salary of a 54.8 salary grade.

The women's share of the negotiated amount in the salary negotiations was 68 percent. Negotiations were also held for special cases where job content had changed significantly.

Initiatives to promote equality

The Housing Bank has a satisfactory status in the field of equality. All boards have a good male/female ratio, the management has a large share of women and salaries are relatively equal on a like-for-like basis. The majority of office personnel are women. In 2008, women will be particularly encouraged to take part in studies to increase their expertise.

Immigrant backgrounds

The Housing Bank has 29 employees with an immigrant background. This equates to 7.9 percent of all employees. This is an increase of one employee from 2006. The Housing Bank committed itself to a 2-year

project in 2008, under the direction of the Ministry of Government Administration and Reform, with a moderate quota of applicants with an immigrant background.

Measures to improve skill levels

In line with the Housing Bank's changed role as a center of expertise for housing policy, the need to upgrade skills and further education has increased. The Housing Bank has stimulated the employees to take part in courses leading to qualifications. A total of 46 employees in 2007 took part in a course leading to qualifications, giving from 7-35 study points. This corresponds to 12.5 percent of all employees. The employees took part in in-house studies within social housing, housing quality, management, finance, law, the media, personnel policies and administration policies.

The Housing Bank collaborates with a number of university colleges to develop good university college courses within the housing policy field. Collaborations have taken place this year with Oslo University College, Bodø University College / Agder Folkeuniversitetet, Bergen University College, Gjøvik University College, Sør-Trøndelag University College and NTNU. Short-term courses and seminars are also held, in addition to internal

management development via regular management seminars on various topics. In 2007, special focus was placed on the middle manager's role in the organization. Regular management evaluations are carried out by AFF, a management development company under the Norwegian School of Economics and Business Administration, with follow-up meetings in the management groups and the different units.

Health, safety and the environment

The sickness-related absence in the Housing Bank increased from 4.61 percent to 5.67 percent. Women have a higher sickness absence rate than men. The average short-term sickness absence is 2.84 percent and the long-term sickness-related absence is 2.83 percent. Routines for following up employees on sick leave were updated in 2007. All offices report effective routines for following up employees on sick leave, with targets to prevent and reduce the sickness-related absence levels.

All offices have established liaison bodies between the management and the employees, where HSE issues are discussed. The offices have chosen different solutions based on local conditions. A number of the offices have offered massages to employees at least once a week. Some offices have their own gyms or have the use of a gym, and training is offered during working hours or partial coverage of training fees to employees that train in their own time. Smoking cessation courses, lectures on diet and first aid courses have been held for employees.

In 2007, the Housing Bank revised its seniorpolicy agreement. Senior days are actively used to enable an increase in the actual retirement age. The average retirement age in 2007 was 66.

Report of the Executive Board 2007



Executive Board of the Housing Bank (from left to right): Heming Olaussen, Barbro Lill Hætta-Jacobsen (Deputy Chairman), Kristian Wibe (Chairman), Liv Røssland and Ingjerd Schou

ROLES IN THE HOUSING POLICY

The roles in the Norwegian housing policy has remained unchanged for several years. The main features are as follows:

- The government and the parliament determine the national housing policy goals, the legislative and the financial framework.
- The Housing Bank is the implementing agency and provides loans, grants and guidance as well as initiates new development and research.
- The municipalities plan and enable the building and rehabilitation of housing, and are responsible for ensuring that the disadvantaged have access to adequate and good housing.
- Private individuals own, build and manage the housing stock.

Although this role distribution has remained the same for a number of years, a shift has nevertheless taken place towards greater emphasis on social housing initiatives, deregulation of the markets and decentralisation. The Board will contribute to the Housing Bank further strengthening the prioritisation of social housing initiatives and the collaboration with the municipalities through guidance and the transfer of expertise.

A number of government departments work with the municipalities on welfare initiatives. In order to coordinate this activity, the Housing Bank has entered into a collaboration agreement with the Directorate of Labour and Welfare in order to coordinate the labour and welfare initiatives through the local NAV offices with the social housing initiatives.

The Housing Bank also works with the Directorate of Health and Social Affairs in relation to the strategy for combating homelessness - "På vei til egen bolig" ("A home of one's own"), which plays a key role in the work with the most disadvantaged.

OBJECTIVES AND STRATEGIES

The Housing Bank's strategies

The Housing Bank was established in a situation of great housing shortage to bring about a large supply of homes suitable for the majority of the Norwegian people. Its main task is now, as a supplement to a largely well functioning private credit market, to reach welfare objectives through social, housing initiatives. The government's vision for the housing policy is as follows:



Adequate and secure housing for all

The Housing Bank developed a comprehensive strategic plan in 2007. This is developed as a tool to help the Housing Bank to implement the housing policy effectively and in a user-friendly manner, and to achieve the objectives and desired welfare gains to the greatest extent possible.

The main strategic plan states the primary choices for direction and resource utilisation. In addition, detailed strategies have been developed for a number of key areas areas of work.

The most important focus area is linked to the government's strategy on homelessness, which highlights the Housing Bank's role as a regionalised welfare service. The welfare gains of securing housing for the homeless and other disadvantaged members of society are immense. The Board recognises that this work requires Special resources and the development of new expertise, collaboration with other participants and the development of locally-adapted solutions.

The Board is also aware that there is a clear need for further developing the policy instruments and reporting. When the use of policy instruments and form of work change from purely providing loans and grants to imparting knowledge and expertise, and to achieve results largely through others, the quantifying of goal achievement becomes more complicated. The Board is therefore satisfied that the Housing Bank has established a number of initiatives to further develop and coordinate internal and external data collections and improve the quality of these.

As to the traditional policy instruments, the demand for nursery school loans and start-up loans has increased from last year, while the demand for the basic loans has

decreased. Simultaneously, more than 50 percent of the houses financed by the Housing Bank have taken universal design into consideration and almost 50 percent of the houses have taken consideration of low energy design. The Housing Bank has also been involved in a number of projects that are financed by other parties. This is in line with the strategic method of working, i.e. to reach our objectives through guidance and influence, provision of loans and financial means is a tool, not a goal by itself

The Executive Board also attaches importance to the Housing Bank acting as a key contributor in the development of the housing policy, partly through the strategic use of grants for development and research within the various housing policy focus areas.

Focus areas 2007

In accordance with the general strategy and in order to realise the most welfare gains possible, the Board has given priority to the following focus areas for 2007:

- Preventing and combating homelessness.
- Improving and simplifying the housing benefit scheme.
- Raising the awareness and knowledge of the universal design of housing, buildings and outside areas.
- Stimulating an increase in environmentally-friendly and energy-efficient housing, residential environments and buildings.
- Area focus.

The Housing Bank shall also highlight and further develop its role as adviser and center of expertise in the housing policy.

Preventing and combating homelessness

The national strategy "A home of one's own" was started in 2005 as a follow-up to and substantial extension of the Homeless Project. 2007 is the final year of

the strategy, but the efforts to prevent and combat homelessness are continuing. The Housing Bank shall continue to coordinate the collaboration with the Directorate of Health and Social Affairs and the county governors. The collaboration with voluntary organizations will also be developed further. These efforts are a crucial part of the government's fight against poverty

The disadvantaged on the housing market

Through its work aimed at the disadvantaged, the Housing Bank will work to prevent social, housing problems, help the disadvantaged to become independent and provide good and secure living conditions for households with a need for follow-up. Long-term solutions will be given priority

Improving and simplifying the housing benefit scheme

Efforts to improve and simplify the housing benefit scheme will continue. This is an extremely important instrument for helping to realise the goal of the disadvantaged in the housing market to enable them to secure their own home and have the financial means to stay in it.

Raising awareness and knowledge of universal design

The aim is that houses, buildings and outdoor areas can be used by everyone to the greatest extent possible. The Housing Bank shall collaborate with the National Office of Building Technology and Administration (BE) with regard to standards for buildings and further promotional work.

Stimulating an increase in environmentally-friendly and energy-efficient housing

The Housing Bank shall strengthen its work aimed at skills development and information dissemination concerning environmen-

tally-friendly and energy-efficient housing, residential environments and buildings. Through basic loans and resource grants we will stimulate an increase in sustainable solutions with particular emphasis on low-energy housing.

Area focus and more attractive communities

The Housing Bank shall further develop and strengthen the focus on good building designs and local development, ref. the follow-up of White Paper no. 21 (2005-2006) "Hjarte for heile landet" ("A heart for all of Norway"). The Housing Bank's efforts in relation to building design and attractive areas shall emphasise strategies and initiatives at area level, use of local analyses in the municipal planning work and use of environmental programming in the planning and designing of residential areas. The Soria Moria declaration includes details of the government's focus on areas in the cities with special challenges. The Housing Bank's focus shall initially be linked to Groruddalen.

RESULTS

Home at last!

In collaboration with the Norwegian University of Science and Technology (NTNU) and SINTEF, the Housing Bank has carried out the project "Endelig hjemme" (Home at last). A brochure is available giving good examples of how the design of houses can help to build a better life for the homeless and other disadvantaged members of society. The project is an excellent illustration of how the efforts to provide good-quality housing for the most disadvantaged members of society require effective interaction with a number of different participants, both at a state and municipal level, from voluntary organizations and private developers. The development of new expertise and

dissemination of good examples are key focus areas for the Housing Bank. This applies both within social housing efforts and in the work aimed at ensuring that more new and existing houses have a universal design in addition to being more environmentally friendly.

In 2007, the Housing Bank held more than 1,000 different events in the form of seminars, specialist days, network meetings and other meetings. More than 25,000 participants from municipalities, the construction industry and the voluntary sector have developed their skills, gained inspiration and made important contacts. Social housing topics in particular have been at the top of the agenda.

Housing benefit

The Board considers the state housing benefit to be the most crucial financial instrument within the work aimed at social housing. Through its budget proposal and a separate press release, the Board asked the government to make an all-out effort to combat homelessness and poverty by substantially strengthening the housing benefit scheme. The Board would like to extend the housing benefit scheme to apply to all households with very low incomes and to increase the general housing benefit rates.

"The current housing benefit scheme excludes many households with very low incomes and hampers the efforts to combat homelessness, which is the housing policy's most important focus area. It is now time for the government to make an all-out effort in this area in order to show that it is following up the good intentions of the Soria Moria declaration," states Kristian Wibe, Chairman of the Executive Board, in the press release. The Board considers a better housing benefit scheme to be a prerequisite for the other social housing instruments working as intended and stimulating the local

authorities to invest in rented properties for the disadvantaged.

Almost 130,000 households received housing benefit in 2007, a clear increase from the previous year. The main reason for this is amendments to the regulations and higher allocations. The housing benefit is to some extent coordinated with the other instruments and municipal and private financing solutions. In September 2007, monthly housing benefit decisions and applications were introduced. This means that it is possible for claimants to apply for housing benefit every month, and that payments will be made the following month. This has created more flexibility. However, the Board is aware that some people have not been happy about the payout being stopped/reduced before recipients lose their entitlement to support. The Board believes that the regulations are changing for the better, which will enable priority to be given to the most needy.

The Board is also aware of a separate analysis carried out by Central Norway Regional Office, which shows that for the group of single parents and refugees, the payouts have increased, which in the Board's opinion is completely in line with the intention of the scheme. The Board plans to extend and simplify the housing benefit scheme and is satisfied that the IT solution recently developed by the Housing Bank will further increase the efficiency of the administration of the scheme. (See the section on IT modernisation.)

Start-up loans

The start-up loan scheme has the highest priority within the Housing Bank's overall loan framework. The municipalities have overall responsibility for the start-up loan scheme and apply for loan funds from the Housing Bank. The needs of the municipalities vary, and the Board is aware that the municipalities have



different practices for applying the scheme. Some municipalities are restrictive with the scheme while others lend large amounts every year. The Board would like the efforts to raise awareness of the scheme to continue in close collaboration with the municipal sector.

Provisional reporting shows that the municipalities lent NOK 400 million more in 2007 than the previous year in start-up loans for housebuying for young people setting up home for the first time and other disadvantaged groups. Almost 6,000 homes were financed in 2007 compared with 6,500 the previous year. The regional offices report that the users perceive the market to be difficult and that the price level of housing prevents them from securing a home of their own. It is often the case that pledges from the municipality are not taken up because the party in receipt of the pledge has not found any housing in the price class within their budget. The Board plans to follow up this problem this year.

Nursery schools

The nursery school loan is aimed at helping to meet the need for good-quality nurseries, and is one of the instruments for achieving the goal of full nursery coverage. The Housing Bank shall contribute to this through financing and guidance.

The demand for nursery school loans was also high in 2007 and almost 6,500 places were financed. This is somewhat lower than the record years of 2005 and 2006, but the Board believes this is related to the fact that more municipalities are approaching full coverage. The municipal nursery schools are mainly financed by Kommunalbanken and only to a very limited extent by the Housing Bank (80 places in 2007).

Resource grants for research and improvements

The resource grant investment was at its highest in 2006, and at the same level as in 2007. A total of 393 research and improvement projects were financed by the Housing Bank in 2007, (and 391 in 2006). Of these, 67 percent related to the homeless and disadvantaged, 35 percent to universal design and the environment/energy and 16 percent to area focus. Typical examples of such projects include:

- **Home at last – design of housing for the disadvantaged**
The aforementioned collection of examples shows how the design of housing can help build a better life for the homeless and other disadvantaged members of society.
- **Housing for everyone – evaluation of housing grants for adaptations**
Nordlandsforskning's evaluation of the grant aimed at physical adaptations in housing for disabled children etc. showed that families with a need for major adaptations to their home perceived the grant to be too low and the loan amount too high. In order to meet these families' needs, the Housing Bank has reviewed the guidelines for the grant by removing the recommended threshold of NOK 40,000.
- **Environmentally-friendly renovation and modernisation of housing**
These consumer guidelines, which SINTEF Building and Infrastructure was commissioned to compile by the Housing Bank, provide information on sensible choices of building materials and the eco-marking of products in connection with renovating houses. Among other things, the guidelines demonstrate how to avoid the use of noxious and hazardous materials in buildings, and give examples of

energy-saving measures and long-term, sustainable solutions.

Focus on collaboration

The Housing Bank enters into numerous types of agreements with collaboration partners. Letters of intent stipulate the main features of the collaboration between the parties, as well as the principles and strategies on product development and innovation.

Collaboration agreements are more geared towards arena building or branding and have no direct, practical or financial consequences for the Housing Bank's use of resources. Examples of collaboration agreements are the agreements between the Housing Bank and the Directorate of Labour and Welfare, the Directorate of Health and Social Affairs, the Norwegian Federation of Co-operative Housing Associations (NBBL) and the Norwegian Association of Local and Regional Authorities (KS).

The Board is satisfied that formal agreements are entered into with the most important collaboration partners. This creates effective forms of collaboration and increased predictability, which in turn helps to achieve goals. The Housing Bank has more than 40 national and regional letters of intent in 2007 and approximately 30 collaboration agreements.

Letters of intent and collaboration agreements can in some cases lead to discrimination, but the Housing Bank will ensure that information on and the opportunity to enter into formal agreements will be available and possible for all serious participants within the area of welfare policy.

International work

The Housing Bank is the institution in Norway with the broadest international

expertise on settlement issues. In 2007, particular emphasis was placed on what's happening in the EU and in neighbouring countries. The Housing Bank has a special role to play with regard to creating a good collaboration environment in which experiences from research and interest from the private and public sector are brought together. This is also the case in our international work. The Board is aware that the international collaboration at Nordkalotten is well underway and that the regional office in Hammerfest has created an effective collaboration with municipalities in Russia that is producing results within the social housing area.

High level of market activity continues

Housebuilding peaked in 2006, when newbuilds totalled more than 33,300 homes. The level was also high in 2007, and a further 33,000 homes are planned.

However, producing housing up to the capacity threshold has its down side. The building costs increased in the past year by 7.4 percent, which is the highest annual growth since 1988. The building costs per square meter for housing financed by the Housing Bank have increased by about the same amount. The Board has concerns about the strong cost growth. At the same time, major efforts are being put into reducing the building costs and increasing productivity in the construction industry through the 5-year Building Cost Program, in which the Housing Bank is also a contributor.

The increase in costs could work against the goal of the housing policy of a well-functioning housing market. The market for existing houses will in turn diminish, which could particularly affect the housing offer for the disadvantaged house hunters.

Housing Bank supplements the market

By supplementing the housing market through active use of its financial instruments, the Housing Bank will help enable the homeless and other disadvantaged members of society in the housing market to secure good-quality housing. The start-up loan combined with housing benefit and housing grants are the most crucial financial instruments for securing housing to this target group.

International turbulence in the financial and housing markets has so far had little effect on the Norwegian housing market. However, the Board has noted that the housing prices in certain areas are starting to fall. As long as households can hold on to their homes the situation is not a cause for concern. The Board notes that the administration finds flexible solutions for those with difficulties in repaying the Housing Bank loan. The Board also assumes that a further increase in the use of the housing benefit will be expedient and will support a development towards the housing benefit becoming a general scheme that is not only aimed at recipients of social security and families with children (further details are given on the next page).

More environmentally-friendly housing

The Board is pleased to note that the efforts to stimulate the building of more environmentally-friendly housing with reduced energy needs are paying off. Almost half of all housing that was approved for basic loans in 2007 met the environmental requirements for reduced energy needs.

The universal design efforts have also produced results. Two out of three new homes financed by the Housing Bank in 2007 satisfy the requirements for

universal design. The Board was hoping for even greater results and will follow up the problem.

Area focus

The Housing Bank's previous experiences with grants for area development were extremely positive and have led to good collaborative relations with municipalities and developers. Resource grants for local development can also be a separate instrument to stimulate better long-term and holistic planning, local initiatives and good local solutions. In 2007, the work in Groruddalen received special attention and is an example of future area focus where both the quality of housing and residential areas and the social housing aspects are used as a basis. Good building designs will also be part of a successful area focus. The Housing Bank has acted as the secretariat for the State Award for a number of years. This year's prize was the 25th in succession and was awarded to Pilestredet Park. This is a large housing project in Oslo, which mainly focused on sustainable energy and rebuilt the former Rikshospitalet into a very attractive residential area in the center of Oslo. The Board agrees that the project has managed to safeguard a number of crucial energy and environmental qualities.

MAIN FUTURE PRIORITIES

Coordination means greater welfare gains

A long-term strategy for eradicating poverty requires the coordinated use of several types of public instruments. The experiences from the homeless efforts show that we have more success when various government departments' initiatives and instruments are applied holistically. The planning and mapping tool that the Housing Bank has offered through social housing plans and Bokart is a good



basis for a coordinated effort of this nature. The municipalities are given the opportunity to consider the social housing instruments holistically and achieve flexible solutions that form the basis for greater use of housing benefit and start-up loans.

The Board wants to emphasise that it is also important to view the work in universal design, the environment/energy and area focus in a welfare perspective. The Housing Bank shall take a holistic approach to the social housing instruments in order to create synergies. The Housing Bank's focus on Grorudalen is an example of such work.

Assistance for the disadvantaged - increased use of housing benefit and start-up loans

The Board regards the housing benefit to be an effective aid that produces major welfare gains. The Board would therefore like to extend the housing benefit to cover all households with low incomes and high living expenses. Simultaneous to this, the regulations shall be simplified so that families with children and large households receive relatively higher amounts of financial support.

Improvements in the housing benefit can also help to increase the effect of the Housing Bank's other social housing instruments and stimulate the local authority to invest more in municipal rented housing. The Board would like to see a more far-reaching use of the start-up loan. An ECON evaluation of the start-up loan (2005) states that "It is crucial that a holistic approach is applied to the various instruments in relation to start-up loan applications. This will prevent situations where a household is denied a loan due to its inability to pay, without relevant instruments being taken into consideration." In order to improve the coordination, ECON proposed that

the income thresholds for housing benefit and housing grants be changed to bring them more in line with housing prices. The Board supports this in order to enable better use of the instruments and create the greatest welfare gains possible.

Focus on research and development

The resource grant is absolutely vital in order to enable effective pilot projects that particularly look at different ways of setting up home and organising the follow-up of the homeless from temporary to long-term housing. The Board is aware that the Housing Bank's continued work in this area will be undertaken in collaboration with the Directorate of Health and Social Affairs.

More research is desirable in relation to the effect of the different initiatives. One relevant project is to follow a sample group of persons that were previously homeless over a period of time in order to assess whether the various initiatives work as intended and produce the desired welfare gains.

Universal design and energy use in the housing stock

Given that only 7 percent of the housing stock is accessible to wheelchair users and 15 percent is only accessible up to the front door, the Board recognises a need to implement measures to improve the accessibility in the existing housing stock. Installing lifts in low-rise flats could contribute to houses having an approximate official visiting standard.

The installation of lifts should also be considered in relation to the focus on sheltered housing. Lifts in low-rise flats that house the elderly, could ease the pressure on specially-adapted sheltered housing / nursing home places and give the elderly an opportunity to live in familiar surroundings for as long as possible. The report entitled "Sam-

funnsøkonomiske effekter av tilgjengelighetstiltak" (Socio-economic effects of accessibility initiatives) also shows that it is beneficial from a socio-economic perspective to install lifts where low-rise flats contain elderly residents.

The collaboration with The National Office of Building Technology and Administration (BE) in relation to the information program for universal design is producing results. A separate campaign carried out in autumn 2007, "Det er din feil!" (It's your fault!), received positive support. However, there is still a need to provide information on this important topic. The introduction of the new EU directive concerning the energy output of buildings is expected to increase the focus on energy-efficient solutions. The EU directive also requires an energy certificate to be provided for all buildings being sold or rented. The Board believes there are many positive aspects to the certificate scheme that will increase the emphasis on energy, particularly in relation to renovations.

The Board would like to issue a reminder that the Planning and Building Act (Norway) includes general requirements for the design of the physical environment, § 2: "By means of planning, and through special requirements concerning individual building projects, the Act shall promote a situation where the use of land and the buildings thereon will be of greatest possible benefit to the individual and to society."

Area focus

A greater focus on area development must be based on challenges linked to conditions related to social housing and living environments. The effort is aimed at selected and defined areas with challenges in relation to living conditions and rundown outside areas, and that can be labelled "Arealift." The Board will support a long-term focus in the areas in

Norway with the greatest need. There should be a target to initiate two to three new area focuses every year.

The Housing Bank shall primarily work towards viewing the use of the ordinary instruments in combination with the area focus in order to create synergy effects and thereby strengthen the effort. Participation from the relevant local authorities will be needed to create collaborations and results.

ORGANIZATION AND ADMINISTRATION

Administration of Housing Bank

The Board has supported the comprehensive decentralisation and regionalisation that has taken place in recent years, resulting in the regional offices becoming independent units that implement the practical housing policy.

Simultaneous to this, the centralisation of the loan administration that is run very effectively by the administration office in Drammen continues. This enables resources to be transferred to housing policy efforts. The Board also supports the ongoing effort to centralise all of the payment activity to the administration office.

Gender equality efforts have been given priority in the Housing Bank. The share of women on the boards is 57 percent, while women in managerial positions made up 58 percent. Men and women in managerial positions have approximately equal salaries, while there continues to be differences in salaries in the other job categories, which is mainly due to differences in qualifications and length of service. The Housing Bank is in the process of levelling out these differences and in the local salary negotiations women received a higher share of the negotiated amount.

The sickness-related absence rate was 5.7 percent in 2007 compared with 4.6 percent in 2006. Although this represents an increase, the sickness-related absence continues to be lower than previous years and lower than the average in the state. The Board is aware that a great deal of extremely effective preventive measures are carried out in the individual offices and requests that these are followed up further.

In autumn 2007, the government decided to initiate a pilot scheme to moderate quotas for persons with an immigrant background in the public administration. The Housing Bank shall take part in the project together with 11 other businesses. A number of stimulation initiatives have previously been implemented to increase the employment levels for these groups. In 2007, the Housing Bank had 28 employees with an immigrant background (approx. 8 percent). The Board is committed to diversity and believes that a multi-cultural working environment increases both job satisfaction and efficiency, and wishes to follow this matter up in the future.

As an office-based operation, the Housing Bank does not impact the external environment to any significant extent. However, the Housing Bank wishes to be perceived as a green government department both externally and internally. A number of offices have implemented measures to meet the environmental challenge. The Hammerfest office is certified under the Norwegian Miljøfyrtårn environmental certification scheme and an environmental review has been carried out in the three central offices in Drammen with a view to such certification. Internally, the Housing Bank has placed significant emphasis on source segregation and reducing paper and energy consumption. A travel policy has also been drawn up

that promotes less travel and greater use of public transport. The Drammen offices have also drawn up an environmental agreement that refunds part of the employees' costs for public transport to and from work. A work journey survey of the offices in Drammen in 2005 revealed that as many as 82 percent of employees use public transport. A new survey will be conducted early in 2008. The Board takes a positive view of the Housing Bank's commitment to the environment both externally and internally, and also draws attention to the agreement with Fair to send used IT equipment for recycling in developing countries.

Dissemination of expertise

One of the Housing Bank's most important roles is to make an effective contribution to the sharing of knowledge and increasing of expertise within the housing policy focus areas.

As part of this work, the Housing Bank launched a Housing database in August 2007 on the Internet. The main purpose of the database is to convey information on good projects within the Housing Bank's focus areas. Developers and architects can directly enter projects into the database.

In order to strengthen the Housing Bank's housing library, a collaboration has been entered into with Buskerud University College, which means that the library can be included in BIBSYS, the national library system for Norwegian educational and research institutions' libraries. Efforts to add the library to BIBSYS are almost complete, and will make the library considerably more visible to the education and research environments.

In 2007, the Housing Bank also worked on identifying effective solutions to highlight the results of the use of the resource grant on the Internet. A web-



based solution has now been developed that will make the overview of the grant use directly available at husbanken.no.

IT modernisation

Technological and organizational efficiency improvements have helped to increase the Housing Bank's level of service and released resources to prioritise the housing policy focus areas. The main plan for the IT modernisation in the period 2005-2007 has, among other things, resulted in the restructuring of the technical platform for all of the Housing Bank's business systems, the establishment of Internet banking and the development of a new housing benefit system. The restructuring of the housing benefit system was carried out in a number of phases, with gradual transfer to a new system based on a web interface and open standards. The restructuring to more open standards has resulted in considerable savings with regard to running costs.

A new IT strategy for the period 2008-2010 (eDialog 2010) was in a development stage during the second half of 2007. The Board believes it is important to take its basis from the guidelines in eNorge 2009 and White Paper no. 17 (2006-07). The areas this applies to include:

- Use of open IT standards, service-oriented architecture and open source code.
- By 2009, all relevant services in the Housing Bank shall be available on the Internet and adapted to enable electronic retrieval. The main channels for private customers will be Minside and husbanken.no.
- In 2008, all relevant interactive services for the business sector will be available via the service portal Altinn.
- In the period up to 2009, preparations will be made for digital interaction in the public sector.

Risk management - continues to be sound

The Housing Bank conducted a risk assessment in 2007 and introduced a system of risk management in line with the principles of the Norwegian Government Agency for Financial Management (SSØ). The Board has monitored the work and is satisfied that the risk management is incorporated in the Housing Bank's governing documents. The main conclusion from the risk assessment is that the majority of the work has a low to moderate risk. Nevertheless, the Board has noted that the review shows two areas of considerable risk (in relation to having a negative effect on achieving targets):

- Several offices report a shortage of capacity and certain types of expertise.
- Absence of highlighting and communicating aspects of crucial housing policy areas of work.

The Housing Bank aims to be a center of expertise, and to convey and advise on effective solutions to local authorities and others. The Board would therefore like to follow up these points with a view to reducing the risk.

The development in relation to losses and defaulted loans has been extremely good in recent years. Both defaulted loans and losses were historically low in 2007. However, the Board also feels it is necessary here to issue a reminder that the change in the nature of the loan activity in recent years has shifted the risk profile in the direction of greater exposure to loss. In previous years, the Housing Bank's loan disbursement ratio was based on a more limited share of costs than today, and municipal guarantees were previously pledged for all loans used to finance schemes such as nursery schools. In addition, a number

of foundations have rental loans with a considerable loss potential. The international development is another reason for paying attention to the loss risk.

The fact that no funds have been added to the Housing Bank's contingency reserve in recent years is a certain cause for concern in relation to effective and sound financial management. The Board would like the loss to be covered by a subsidy or through a contingency reserve of a sufficient magnitude. The Board continues to be committed to the loan portfolio being subject to ongoing risk assessment.

The Board concludes that the Housing Bank makes an effective contribution to creating welfare gains. The financial management is effective, and the losses are currently very low. There is no doubt that the prerequisites for the continuation of business as a going concern are in place.

The board thanks the employees

The role of social housing center of expertise and guide for the municipalities became more clearly defined in 2007. The Board believes that the administration meets the challenges of such a role constructively, and this also applies to its ability to adapt.

The Board calls on all employees to take part in the improvement in expertise and modifications that are necessary to meet the ambitious strategies devised for the coming years. The Board would also like to take the opportunity to thank the employees for their efforts in 2007. In the opinion of the Board, the results are good and bode well for creating further welfare gains in the forthcoming years.

Annual report 31 December

	Notes	2007	2006	2005
Figures in 1,000 NOK				
Interest and similar income				
Interest and similar income on loans and receivables from credit institutions	1	9,163	5,474	3,355
Interest and similar income on loans to and receivables from customers	1	3,999,783	3,690,651	3,726,383
Total interest and similar income		4,008,946	3,696,125	3,729,738
Interest and similar expenses				
Interest and similar expenses on subordinated debt (Treasury receivables)	1	9,163	5,474	3,355
Other interest and similar expenses (on funding from the State)	1	4,020,916	3,713,982	3,751,664
Total interest and similar costs		4,030,079	3,719,456	3,755,019
<i>Net interest and credit commissions income (interest support)</i>		-21,133	-23,331	-25,281
Commission income and income from banking services				
Fee income	2	17,120	18,692	21,214
Commission expenses and banking service expenses				
Fee expenses		2,626	3,627	3,116
Other operating revenues				
Revenue from appropriations	2	315,538	309,887	307,383
Operating revenues from property	2	474	558	700
Other operating revenues	2	14,073	13,877	9,929
Total other operating revenues		330,085	324,322	318,012
Salaries and general administrative expenses				
Salaries and social security expenses	3	176,019	170,878	164,505
Administration expenses	4	102,185	105,436	118,756
Operating expenses, property	4	1,100	590	321
Total salaries and general administration expenses		279,304	276,904	283,582
Depreciation, amortization, write-downs of property, plant and equipment, and intangible assets				
Ordinary depreciation and amortization	5,6	7,400	5,885	4,525
Write-downs	8	0	0	2,632
Total depreciation, amortization, write-downs of property, plant and equipment, and intangible assets		7,400	5,885	7,157
Loss on loans, guarantees, etc.				
Loss on loans	4b, 10	10,638	16,993	12,887
Profit/loss before settlements		26,104	16,274	7,203
Settlements				
Settlement with Treasury (gross budgeted amount)	7	-34,598	-28,934	-16,414
Reversed deferred revenues on disposal of noncurrent assets	8	0	0	-2,632
Total settlements		-34,598	-28,934	-19,046
Grant management				
Transfers from Treasury for grants to others	9	6,297,565	5,222,326	5,182,012
Payments of grants to others	9	-6,297,565	-5,222,326	-5,182,012
Total grant management		0	0	0
Loss for the financial year		-8,494	-12,660	-11,843
Transfers and appropriations				
Transfers from contingency reserve	10	8,494	12,660	11,843



Kristian Wibe



Liv Røssland

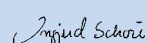
Balance sheet

ASSETS	Notes	2007	Figure 2006	
Noncurrent assets				
Rights and similar intangible assets	5	28,917	22,918	
Total intangible assets		28,917	22,918	
Buildings, land and other property	6	3,125	3,209	
Movables, fixtures, tools, etc.	6	18,480	19,345	
Total property, plant and equipment		21,605	22,554	
Bonds and other receivables	11	96,935,630	94,434,699	94,320,004
Total noncurrent financial assets		96,935,630	94,434,699	94,320,004
Total noncurrent assets		96,986,152	94,480,171	94,357,408
Current assets				
Accounts receivable	12	38,458	33,333	39,929
Other receivables	13	12,681	8,527	7,737
Accrued, non-invoiced revenues	14	983,909	849,162	804,531
Total receivables		1,035,048	891,022	852,197
Cash and bank				
Bank deposits	15	103,855	205,590	193,840
Other cash and cash equivalents	15	6	4	41
Total cash and bank		103,861	205,594	193,881
Total current assets		11,138,909	1,096,616	1,046,078
Total assets		98,125,061	95,576,787	95,403,486
EQUITY AND LIABILITIES				
Equity				
Paid-in equity and reserves	10	87,644	96,137	108,797
Total equity		87,644	96,137	108,797
LIABILITIES				
Provisions				
Liabilities in connection with noncurrent assets	5,6	49,397	44,263	36,079
Total provisions		49,397	44,263	36,079
Other long-term liabilities				
Other long-term liabilities/funding	16	96,865,104	94,415,606	94,207,573
Total other long-term liabilities		96,865,104	94,415,606	94,207,573
Current liabilities				
Tax due		6,433	6,294	5,907
Accrued vacation pay		15,431	14,252	14,201
Prepaid, noninvoiced revenues	14	611,992	595,211	660,652
Other current liabilities	17	367,535	321,666	312,182
Total current liabilities		1,001,391	937,423	992,942
Settlement with Treasury				
Settlement with Treasury (net budgeted)	7	121,525	83,358	58,095
Total		121,525	83,358	58,095
Total liabilities		98,037,417	95,480,650	95,294,689
Total equity and liabilities		98,125,061	95,576,787	95,403,486
Loans approved or pledged but not paid out as of 31 December		12,685,703	13,896,575	14,671,120
Grants approved or pledged, but not paid out as of 31 December		450,316	1,755,693	2,648,580
Payment obligations, housing for January */3rd period 2006 and 2005		191,034	747,545	677,354

* As of 2007 payment obligations, housing benefits will be changed to monthly installments.

Drammen 31.12.2007/03.03.2008


Heming Olaussen


Ingerd Schou

Accounting principles

The annual financial statements have been prepared in accordance with State accounting standards (SRS) and guidance notes prepared in connection with the Ministry of Finance's testing of the application of the accruals principle for selected State-owned businesses. The Housing Bank in this case has been granted an exception from applying the standard for the valuation of the external loans portfolio, as well as dispensation to apply the cash principle for the recognition of losses, and housing benefits and other grant schemes the Bank administers.

OPENING BALANCE SHEET

The State businesses that take part in the Accruals Project have established opening balance sheets based on the Ministry of Finance's guidelines. The compilation of the opening balance is based on the utility value on the replacement value principle representing the value of physical property, plant and equipment, while nominal (face) value are used for financial property. The loan portfolio is entered with the value of the accounts receivable without depreciation for the risk of loss.

The replacement value is set with consideration of wear and tear, technical functioning standards, etc. The replacement value of land, buildings, infrastructure is based on estimates worked out and documented by the business itself. The value of national properties and cultural monuments, as well as art and books are not included in the opening balance. Residential properties that are not depreciated or amortized are recognized with historical cost value or 80% of the assumed market value. Financing of noncurrent assets (excluding financial noncurrent assets), which are included in the opening balance for the first time, are classified as long-term obligations. This obligation is freed in accordance with the depreciation of the noncurrent assets that the financing covers.

The true value of the current assets is used as a basis for the set value. The current assets, minus short-term debt, along with possible other obligations are a result of a settlement with the Treasury.

PENSIONS

The Accruals Project provides the basis for a simplified approach to accounting for pensions. Thus, *no* pension scheme surplus/deficit has been estimated or provided for in accordance with RSR no. 6. The pension cost for the year is therefore presented as an annual premium amount paid to SPK. Premium rates are listed in note 3.

TRANSACTION-BASED REVENUE

Transactions are recognized at the value of the payment on the date of the transaction. Revenue connected with the sale of goods is deemed to be earned when the service is performed. Sales of

services are recognized in the balance sheet in accordance with exports. The balance includes accrued, unpaid fee income to cover fees for administrative services relating to loan administration and the collection and recovery of interest.

REVENUES FROM APPROPRIATION-FINANCED ACTIVITIES

Appropriations are recognized as income in the period when the activity that the appropriation is assumed to finance is performed, i.e. in the period in which the expenses are incurred. At the rendering of the annual report, the year's final appropriations to operations are recognized. The final appropriations for operations are equivalent to the year's appropriations and any charges authorized for item 01-29. Unused provisions that cannot be transferred to the following fiscal year are not recognized in the income statement.

Investment provisions are recognized as "Liabilities linked to current assets (Intangible assets or property, plant and equipment) in the balance sheet at the amount actually invested in the accounting period. Transferable investment provisions are not recognized as income.

CLASSIFICATION AND VALUATION OF BALANCE SHEET ITEMS

Current assets and current liabilities comprise items that are due for payment within one year of the time such items are acquired and include interim items connected to the payments cycle. Other items are classified as noncurrent asset / long-term liability.

Current assets are valued at the lower of cost or the real value. Current liabilities are recognized at their nominal value in the balance sheet at the time they are incurred.

Noncurrent assets are valued at cost, but written down to real value if impairments are not expected to be temporary in nature.

INTANGIBLE ASSETS

Externally purchased intangible assets are recognized in the balance sheet. This includes new systems and modern IT solutions developed in the project collaborations with external consulting firms. These types of major investments are recognized as intangible noncurrent assets in the balance sheet and amortized over their expected useful lives.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognized in the balance sheet and depreciated over the operating assets' expected useful lives. To even out the effects in the income statement, the liability established at the time of investment is reduced by an amount corresponding to the depreciation charge.



FINANCING OF ACCRUED/PREPAID ITEMS

Current assets / current liabilities: In the case of gross budgeted operations, with the exception of intangible assets, property, plant and equipment and bank deposits connected to funds, the net amount of current balance sheet items will have an offset entry in *Settlements with Treasury*. The settlement thus reflects the State's interest in short-term items.

Noncurrent assets: The value of intangible assets and property, plant and equipment recognized in the balance sheet has an offset entry in the accounting line "Liabilities connected with noncurrent assets." This reflects the financing of these noncurrent assets.

Newly acquired intangible assets and property, plant and equipment are recognized at cost in the balance sheet. At the same time, the income statement item "Revenues from appropriations" and balance sheet item "Liabilities connected with noncurrent assets" are respectively reduced and increased by the cost amount.

Amortization of noncurrent assets is expensed through the income statement. An amount corresponding to the amortization amount is recognized in income under the item "Revenues from appropriations." This results in the gradual dissolution of the financing item "Liabilities connected with noncurrent assets." As a result of the above, with the exception of housing, the total value of intangible assets recognized on the balance sheet before 01/01/2005 will be fully financed under "Liabilities connected with noncurrent assets."

At the realization/disposal of property, plant and equipment, profit/loss is recognized. Profit/loss is calculated as the difference between the sales compensation and the recorded value of the time of realization. The remaining established values of the liability relating to the noncurrent asset at the time of realization is recorded as income.

NONCURRENT FINANCIAL ASSETS

The Bank's external loan portfolio is classified under "Noncurrent financial assets." Loans are financed with state funding and have a corresponding offset amount in "Other long-term liabilities." Derivations are attributable to overdue installment demands and

accrued or prepaid accrued interest/fees that are recognized in current receivables, and have an offset entry in "Settlement with Treasury."

RECEIVABLES

Accounts receivable and other receivables are recognized in the balance sheet at nominal value. Receivables are not reviewed for potential losses, and therefore no provision is made for expected or assumed losses. Only on discovery of a loss in accordance with the cash principle is this recognized against the contingency reserve.

SELF-INSURANCE PRINCIPLE

The State acts as a self-insurer. Consequently neither the balance sheet nor the income statement contains any items intended to reflect respective net insurance expenses or liabilities.

THE STATE'S GROUP ACCOUNT SCHEME

State-owned businesses are covered by the state's group account scheme, under which all receipts and payments are settled on a daily basis against the businesses settlement accounts at Norges Bank.

The Housing Bank is not allocated funds during the year, but has a drawing right on its group account corresponding to the gross appropriation. The difference between the appropriation recognized as income and the net draw on the group account is included in the item "Settlement with the Treasury." Special rules apply for the settlement/transfer of outstanding accounts at the end of the year. Balances on the individual settlement accounts at Norges Bank are reset to zero at the beginning of a new financial year.

CASH FLOW STATEMENT

The cash flow statement is prepared in accordance with the direct method adapted for state-owned businesses. Cash and cash equivalents include the counter value of the Bank's primary capital and contingency reserve, and deviations relating to the accrual principle attributable to prepaid income in the form of interest and fees.

Auditing of the accounts for 2007 for the Housing Bank

The Auditor General of Norway is the auditor for the Housing Bank

In accordance with the Norwegian National Auditing Act of 7 May 2004, the Housing Bank's auditor is the Auditor General of Norway.

At the conclusion of the annual audit, the Auditor General issues a concluding audit letter (report) that summarizes the conclusions of the audit work. The Audit Letter is not published until the Auditor General has reported on the results of the audit to the parliament in October/November, cf. § 18 of the Norwegian National Auditing Act.

Cash flow

	Amount in whole 1,000 NOK		
	2007	2006	2005
Cash flow from operating activities			
Receipts			
Receipts from the Treasury for grants to others	407	144	158
Receipts from fees, charges and licenses	17,165	18,692	21,214
Receipts from grants and transfers from other State departments	0	0	0
Receipts from interest	3,982,645	3,710,743	3,772,511
Receipts from installments	9,581,611	10,620,331	10,597,348
Receipts from refunds	4,379	4,859	6,383
Other receipts	12,177	9,053	9,928
Total receipts	13,598,384	14,363,822	14,407,542
Payments			
Payments of salaries and social security expenses	-155,622	-165,868	-159,915
Payments of goods and services for resale and own consumption	-114,996	-147,135	-163,373
Payment of grants	-3,961,606	-3,008,761	-3,126,635
Payment of housing benefits	-2,335,960	-2,213,895	-2,053,960
Payments of new loans and interest subsidy	-12,031,108	-10,828,364	-10,545,193
Payments from capital advances	-4,567	-3,694	-4,485
Other payments	0	0	0
Total payments	-18,603,859	-16,367,717	-16,053,561
Net cash flow from operating activities *	-5,005,475	-2,003,895	-1,646,019
Cash flows from investment activities			
Receipts from the sale of property, plant and equipment	2,100	4,272	900
Payment for the purchase of property, plant and equipment	-12,534	-14,069	-17,075
Net cash flow from investing activities	-10,434	-9,797	-16,175
Cash flow from investing activities (net budgeted)			
Payments from business capital	0	0	0
Repayments from operations capital	0	0	0
Net cash flow from financing activities	0	0	0
Effects from exchange rate changes on cash and cash equivalents	0	0	0
Net change in cash and cash equivalent	-5,015,909	-2,037,023	-1,662,194
Cash and cash equivalents at the beginning of the period	205,590	193,840	165,784
Cash and cash equivalents at the end of the period	-4,810,319	-1,843,183	-1,496,410
* Reconciliation	2007	2006	2005
Income for the period	-5,055,070	-2,026,738	-1,662,367
Operating income SIFBO	-248	-290	-375
Profit/loss on the sale of long-term assets	-2,016	-4,044	-669
Book value of long-term assets disposed of	-84	-116	-170
Depreciation and amortization	7,400	5,885	4,525
Impairment of long-term assets	0	0	2,632
Net settlements	-34,598	-28,934	-4,663
Employers' national insurance contrib. / group life insurance recognized in cap. 5700/5309	20,125	19,056	18,684
Interest support cap. 2412.72	21,133	23,331	25,281
Provision for deferred revenues (noncurrent asset additions)	12,534	14,069	17,075
Changes in accounts receivable	144,026	108,099	-8,792
Items classified as investment or finance activities	-10,434	-9,797	0
Changes in other accruals / prepayments	-108,243	-104,416	-37,180
Net cash flow from operating activities	-5,005,475	-2,003,895	-1,646,019

Notes to the financial statements (1-2)

Note 1 Financial income and financial expenses

	Amount in 1,000 NOK		
	2007	2006	2005
Financial income			
Interest income bank deposit	9,163	5,474	3,355
Interest income from loan	3,999,783	3,690,651	3,726,383
Other investment income / government interest support	21,133	23,331	25,281
Total financial income	4,030,079	3,719,456	3,755,019
Financial expenses			
Interest expense deposits and national treasury accounts receivable	4,030,079	3,719,456	3,755,019
Total financial expenses	4,030,079	3,719,456	3,755,019
Calculated interest expenses on invested capital*:	1,800	1,347	1,271
Basis for calculated interest expense on invested capital	31 Dec 2007	31 Dec 2006	31 Dec 2005
Balance sheet value of immaterial assets	28,917	22,918	14,738
Balance sheet value of property, plant and equipment	21,605	22,554	22,666
Total	50,522	45,472	37,404
Total months at reporting time:	12	12	12
Average tied-up capital in the fiscal year:	47,997	41,438	32,588
Fiscal year's fixed interest rate:	3.75%	3.25%	3.90%

Calculation of interest expenses on capital invested in the business is shown here according to "Draft guidance note on interest on capital." *Calculated interest expense on invested capital is only provided as a disclosure in the notes. The calculated interest expense is not recognized in the financial statements.

Note 2 Operating revenues

	2007	2006	2005
Revenue from appropriations			
Appropriation transferred from previous years (net budgeted activities)	0	880	10,643
Appropriations for the year from the Sectoral Ministry	325,656	322,058	309,290
- gross amount used for investing purposes / property, plant and equipment for the previous year / contribution to operations	-12,534	-14,069	-17,075
+ Deferred revenue from liabilities connected with investments (write-downs)	7,400	5,885	4,525
- Payments of grants to others / HTU	-4,984	-4,867	0
Total revenue from appropriations	315,538	309,887	307,383
Fees			
Establishment fees	1,442	1,341	1,720
Administration fees	12,151	13,289	14,525
Notification fees	3,431	3,876	4,829
Other fees relating to loan administration	96	186	140
Total fees	17,120	18,692	21,214
Rental and company housing income			
Rental income	429	526	660
Rental income on company housing	45	32	40
Total rental and company housing income	474	558	700
Other operating revenues			
Interest on arrears, late payments on loan installments	3,827	3,352	4,106
Reimbursed housing grants approved for the fiscal year	8,275	6,482	5,049
Other income	75	0	105
Profit on the sale of property, plant and machinery, etc.*			
Sale of property	1,896	4,043	669
Total other operating revenues	14,073	13,877	9,929

* Profit on the sale of housing from the residential housing stock that was taken over on the merger with the company "Selskapet for Innvandrers- og Flykningeboliger" in 1997. Profits from housing rentals and profits or losses on sale are set off against a separate contingency reserve administered by the Norwegian National Housing Bank. The book profit, rather than the disposal proceeds, is specified under operating revenues.

Notes to the financial statements (3-4)

Note 3 Salary and social security expenses

	2007	2006	2005
Salaries*	128,409	119,193	119,321
Vacation pay	15,845	14,979	14,434
Employer's national insurance	19,231	20,817	20,116
Pension costs**	9,646	14,571	11,876
Sickness benefits and other refunds	-4,379	-4,859	-6,922
Other benefits*	7,267	6,177	5,680
Total salary expenses	176,019	170,878	164,505

Number of full-time equivalent employees: 353 345 349

Allowances for the bank's executive board and 6 regional boards: NOK 913,248. Salary and allowances for the Managing Director: NOK 933,540.

* Adjustments relating to previous financial statements and reclassification of expenses

For the years 2006 and 2005 the payroll costs are corrected due to incorrectly posted vacation pay by -14,434 and -11,751. Reclassified for the same years from *Administrative costs* to *Salary and social security expenses*, respectively: 5,476 and 4,917. This includes various personnel costs specified in note 3 as *Other benefits* (see note 4).

** More details on pension costs

Pensions are expensed in the income statement based on the actual premium incurred for the fiscal year. The premium rate for 2007 was 6.9 percent. The premium rate for 2006 was 10.26 percent. See also the accounting policy note on pensions.

Note 4 Other operating expenses

	2007	2006	2005
Administration expenses			
Rent	27,216	25,332	25,049
Maintenance and conversion of rented premises	163	979	5,053
Other expenses for the operation of rented premises	4,204	4,485	5,096
Repair and maintenance of machinery, equipment, etc.	2,171	2,727	3,226
Minor equipment additions	4,663	7,211	4,043
Hire of machinery, fixtures, and similar	3,349	6,708	8,539
Consultants and other purchases of external services	17,667	17,670	25,826
Travel, per diem and other personnel expenses *	19,862	18,384	20,117
Other operating expenses *	22,890	21,940	21,807
Total administration expenses	102,185	105,436	118,756

* For 2006 and 2005 reclassification from *Administrative costs* to *Salaries and social security costs*: -5,476 and -4,917. Expenses in the annual report 2006 were specified in note 4 as *Travel, per diem and other personnel expenses* as 4,486 and 4,007 for 2005 and as *Other operating expenses* as 990 and 910.

Operating expenses for real estate

Shared expenses, cooperative housing	181	237	280
Maintenance of housing units	919	353	41
Total operating expenses for real estate	1,100	590	321

Note 4b Losses on loans broken down by region and purpose

	Construction	Improvement	Purchase	Start-up	First home	Other purposes	Total
Regional offices:							
Eastern	111	0	563	740	12	-758	668
Southern	637	0	259	77	0	439	1,412
Western	3,149	0	303	0	0	114	3,566
Central Norway	1,695	0	7	19	0	669	2,390
Bodø	1,141	0	393	180	0	-411	1,303
Hammerfest	21	394	399	0	0	485	1,299
Total	6,754	394	1,924	1,016	12	538	10,638

Notes to the financial statements (5-7)

Note 5 Intangible assets

	Rights, etc.
Cost 31 December 2006	24,298
Additions in 2007	8,152
Write-off of cost in 2007	0
Cost 31 December 2007	32,450
Accumulated impairments 31 December 2006	0
Impairments 2007	0
Accumulated amortization as of 31 December 2006	1,379
Ordinary amortization in 2007	2,154
Accumulated amortization on disposals in 2007	0
Book value 31 December 2007	28,917

Amortization rates (useful lives). Business-specific 8-12 years/linear.

Intangible assets recognized in the balance sheet include external systems and software, including new electronic case processing systems and IT tools that are developed in cooperation with external consultants. The future values of internal development work with system adaptations and similar is deemed to be uncertain for periods in excess of 3 years and are therefore not recognized in the balance sheet.

Note 6 Property, plant and equipment

	Other buildings	Machinery and transport means	Other tools and equipment	Total
Cost 31 December 2006	3,209	15,228	24,164	42,601
Additions in 2007	0	2,938	1,443	4,381
Cost of disposals in 2007	-84	-5,871	-2,841	-8,796
From plant under construction for other group	0	0	0	0
Cost 31 December 2007	3,125	12,295	22,766	38,186
Accumulated impairment as of 31 December 2006	0	0	2,632	2,632
Impairment in 2007	0	0	0	0
Accumulated depreciation as of 31 December 2006	0	10,937	6,479	17,416
Depreciation in 2007	0	3,158	2,087	5,245
Accumulated depreciation on disposals in 2007	0	-5,871	-2,841	-8,712
Book value 31 December 2007	3,125	4,071	14,409	21,605

	20-60 years decomposed linear	3-15 years linear	3-15 years linear
Depreciation rates (useful lives)			

Disposal of property, plant and equipment

Compensation for disposal of noncurrent assets	1,980			
- Book value of noncurrent assets disposed of	-84			
= Accounting profit/loss	1,896	0	0	1,896

Note 7 Net settlement appropriation-financed business (gross budgeted businesses)

Differences arising as a result of accruals/prepayments

(Relevant for all gross budgeted businesses, but also for individual items for net budgeted businesses)

	31 Dec 07	31 Dec 06	Change
Current assets			
Prepayments	11,089	5,844	5,245
Other current assets	0	0	0
Subtotal	A1	5,844	5,245
Current liabilities			
Provisions for / due vacation pay	-15,431	-14,252	-1,179
Other salary related provisions	-3,869	-4,575	706
Accruals and prepayments	-2,037	-1,409	-628
Other short-term debt	0	0	0
Subtotal	A2	-20,236	-1,101
Net accruals and prepayments	A	-14,392	4,144

Notes to the financial statements (7-10)

Note 7 (contd.)

Main items that are included in the settlement with the Treasury / cash-based balances:

Current assets				
Holding accounts (any own bank accounts, cash holdings)		0	97,751	-97,751
Earned, not billed income		131,773	0	131,773
Settlements with Treasury / cash-based intercompany balance, cf. S report				
	B	131,773	97,751	34,022
Settlements with Treasury				
	A+B	121,525	83,359	38,166

The financing of current assets and current liabilities is generally linked to the item (have a contra item under) "Settlements with Treasury," see group "A" above. Current assets and current liabilities, which are already included in the business balance sheet for gross budgeted businesses under cash balances with the Treasury, are broken down in the main items that appear in group "B" above. If the balance in the cash balances (S report) deviates from the balances in the financial statements prepared in accordance with the accruals principle, the difference must be presented in group "A" above. Noncurrent assets generally follow the liability model, i.e. the financing of such items will be classified under (have a contra entry in) provisions for long-term liabilities connected with noncurrent assets.

Note 8 Reversal of residual deferred revenues on the sale/write-down of noncurrent assets

Reversal of residual deferred revenues on the sale/write-down of property plant, machinery, etc.*

	2007	2006	2005
Sale/write-down of machinery, equipment, etc.	0	0	2,632
Reversal of deferred revenues on the sale or write-down of property, plant and machinery, etc.	0	0	2,632

* The write-down includes various furnishings, fixtures and technical equipment that were scrapped on the move from previous premises.

Note 9 Grant management

Breakdown of paid grant schemes by purpose

	2007	2006	2005
Housing benefits	2,335,960	2,213,895	2,053,960
Housing quality	14,658	41,731	45,844
Housing grants for first home, improvements and rental	596,263	592,013	605,948
Development of residential areas, housing management and housing policy	63,302	46,134	32,667
Start-up grants residential care and nursing homes	1,258,218	773,387	1,196,843
Compensation for interest and installment expenses nursing and residential care/nursing homes	1,405,527	1,142,104	976,847
Interest compensation, educational institutions and church buildings	535,484	327,021	207,227
Construction of student accommodations	84,834	85,066	58,660
Other measures within the building sector	3,319	975	4,016
Total grant management	6,297,565	5,222,326	5,182,012

Note 10 Paid-in equity and funds

National Housing Bank's fund (cf. The Norwegian State Housing Bank Act)

	2007	2006	2005
Primary capital (fixed capital)	20,000	20,000	20,000
Contingency reserve as of 1 January	76,137	88,797	100,640
Loss for the year* on operations / loss on loans	-8,494	-12,660	-11,843
Contingency fund as of 31 December	67,643	76,137	88,797
Total funds	87,643	96,137	108,797
* Breakdown of loss for the year:	2007	2006	2005
Loss on loans	-10,638	-16,993	-12,887
Profit, rental property	248	289	375
Net profit on housing sales	1,896	4,044	669
Net profit for the year	-8,494	-12,660	-11,843

Notes to the financial statements (11-14)

Note 11 Bonds and other receivables

The bank offers alternative interest rate terms according to which borrowers can choose between floating or fixed interest rate terms. For current loans with floating interest rates, a change to fixed interest may be agreed for 3, 5 or 10 year term. From 2007 the rules for fixed interest rate agreements have been changed to allow customers to opt to transfer to floating interest rates against settlement of a surplus/discount.

11a) Changes in interest rate terms

Loan interest as a percentage p.a. in arrears:

Q1 *)

Q2

Q3

Q4 **)

2007		2006		2005	
Floating	Fixed	Floating	Fixed	Floating	Fixed
3.5	4.4-4.7	2.6	3.8-4.1	2.4	3.7-4.0
3.9	4.8-5.1	2.8	3.6-4.1	2.3	3.6-3.9
4.4	5.1-5.6	2.9	4.0-4.5	2.3	3.6-3.8
4.8	5.6-5.1	3.3	4.3-4.8	2.3	3.5-3.6

*) Since March 2006 both 3 and 5 year fixed interest rate agreements have been offered

***) Since October 2006 10 year fixed interest rate agreements have also been offered

The floating rate is based on the Treasury note average for quarterly observation periods, so that the interest rate for the 1st quarter is thus determined by the development of the 3d quarter of the previous year, etc. The fixed rate of interest will change on a monthly basis. At the end of each month, the fixed rate of interest will be determined and take effect two months after the observation month.

11b) Distribution of loans according to interest level

		2007		2006		2005	
		Number	Amount	Number	Amount	Number	Amount
0%-6.8%	Special terms	4,597	2,590,545	5,111	2,825,472	5,727	3,091,891
4.8%	Floating interest rate *)	32,368	57,016,699	35,609	36,698,076	38,483	34,051,234
3.5-7.3%	Fixed interest rate	38,575	37,328,386	42,253	54,911,151	47,762	57,176,879
Total number / debt outstanding		75,540	96,935,630	82,973	94,434,699	91,972	94,320,004

*) Interest rate in 2006 was 3.3% and 2.3% in 2005

11c) Residual claims on loans recorded as loss

Residual claims comprise loans recorded as loss after realization of a mortgage where the claim against the borrower has been waived. The receivables are included in the loan portfolio and are retained for follow-up and possible recovery. Residual claims of 164,666,974 have been deducted for the loans in the balance sheet. As a result, the financial statements present the Bank's net loans.

Note 12 Accounts receivable

	2007	2006	2005
Accounts receivable, nominal value	38,458	33,333	39,929
Provisions for hidden losses (-)	0	0	0
Total accounts receivable	38,458	33,333	39,929

Note 13 Other current receivables

Receivables	2007	2006	2005
Prepaid salaries	0	9	54
Travel advances	0	9	35
Loans to employees	420	262	316
Other receivables due from employees	20	21	0
Prepaid expenses	10,985	5,717	5,950
Other receivables	1,256	2,509	1,382
Total	12,681	8,527	7,737

Note 14 Accrued, non-invoiced income / prepaid, non-accrued income

Accrued, non-invoiced income	2007	2006	2005
Interest not yet due on loans	981,113	843,559	798,286
Accrued/prepaid settlement disbursements, etc.	2,692	5,476	5,706
Reimbursement claims, maternity and sickness benefits	104	127	539
Total receivables	983,909	849,162	804,531

Notes to the financial statements (14-17)

Note 14 (contd.)

	2007	2006	2005
Prepaid, non-accrued income			
Prepaid interest from customers	425,055	236,508	402,974
Paid, non-settled installments from customers	186,937	358,703	257,678
Total liabilities	611,992	595,211	660,652

Note 15 Cash and cash equivalents

	2007	2006	2005
Other bank accounts DnB NOR	103,855	205,590	193,840
Cash balances and other cash holdings	6	4	41
Total cash and cash equivalents	103,861	205,594	193,881

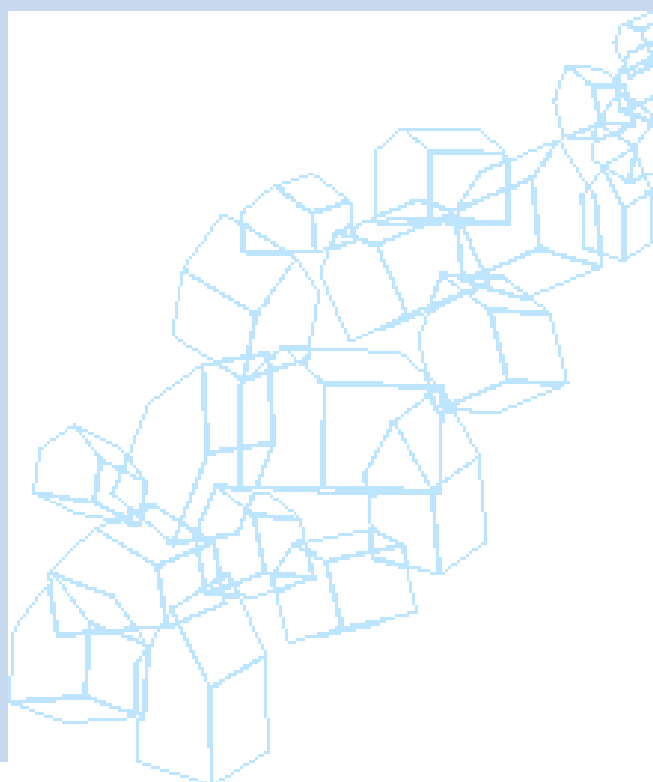
Note 16 Other long-term liabilities

	2007	2006	2005
Funding from the state			
Total borrowing as of 1 January	94,415,606	94,207,573	94,259,729
+ New loans for the year	12,031,108	10,802,477	10,545,192
- Installment repayments	-9,581,610	-10,594,444	-10,597,348
Total	96,865,104	94,415,606	94,207,573

This system allows the Housing Bank to finance its loan activities through drawing rights in the State group account scheme. Agreements with account-holding banks are established in accordance with financial regulations and associated operational requirements. These loans are based on variable interest and installments terms in keeping with the average estimated interest on loans and realized installments from customers. The floating and fixed rate of interest vary in line with the market interest rate for 3-month Treasury notes and 5-year Government Bond loans, respectively, and include an additional margin of 0.5 percentage points. The interest rate margin generated revenue of NOK 480 million for the State in 2007.

Note 17 Other current liabilities

	2007	2006	2005
Liabilities			
Paid, uncleared interest on funding	357,595	310,160	301,447
Paid, not past due pension contributions	1,840	2,657	2,341
Accrued expenses	4,066	3,327	5,669
Other current liabilities	4,033	5,522	2,725
Total	367,534	321,666	312,182





Sami Parliament, winner of the State Award in 2001. Photo: Jiri Havran

Assessment of accounting figures



Photo: Housing Bank, Mette Presterud

The Housing Bank operation is sanctioned by the Norwegian State Housing Bank Act. The financing of the operation is through allocations in the national budget. The state has both revenues and expenses in its loan activity. The Housing Bank's activity produces extensive welfare gains.

Management's comments on the annual accounts (ref. the preliminary state accounting standards, SRS)

Purpose:

The Norwegian State Housing Bank aims to provide loans or guarantees for loans against security in developed

properties, to arrange support from the state and municipalities for housebuilding and other housing purposes, (Housing Bank Act §1).

Management's comments on the profit and loss account

Losses

Losses in 2007 developed in a positive direction. The net loss was reduced by around a third. For personal borrowers, the loss was almost halved; from NOK 12.7 million to NOK 7.3 million, and the number of loss cases was reduced by around 30 percent. For non-personal borrowers, losses fell from NOK 6.7 million to NOK 5.6 million. The fall is due to the relatively low loss per case, while the number of loss cases in this group has remained relatively

stable. The Housing Bank needs to be aware of the development of the loss situation as the activity is aimed towards a higher exposure to loss. Some foundations with rental loans have so many operating problems that there is a risk of a loss. This also applies to the running of some independent housing cooperatives where the financing has reached 90 percent and higher. The loss fund, which is down to NOK 67.6 million, is at such a low level in relation to the total turnover and loss potential, that an allocation or change to the scheme appears to be necessary.

Written-back losses were almost exactly the same in 2006 and 2007.

The discontinuation of the housing portfolio of the former "SIFBO" is

almost complete. The number of homes sold is low, and the surplus on the sale/rental of homes was halved in 2007 to NOK 2.1 million (see note 2).

Interest

Interest income and expenses showed an increase from 2006 to 2007, due to the limited loan growth and the higher interest rates in 2007 than in 2006. Around 60 percent of borrowers have a fixed interest rate, while approximately 40 percent have a floating rate.

Grant administration

Grant payments increased by around NOK 1.1 billion in 2007.

The increase is made up of:

- Housing benefit totalling approx. NOK 100 million.
- Start-up grants for sheltered housing and nursing homes of previous pledges of approx. NOK 500 million.
- Grants for compensation of interest and instalments (sheltered housing and nursing homes) approx. NOK 250 million.
- Interest compensation for educational institutions of approx. NOK 200 million.

This is in line with the expected increase in the payments for the schemes.

In relation to the budget, this is for:

- Start-up grants for sheltered housing and nursing homes paid NOK 59 million less than the allocation available for the purpose. The difference shall cover remaining payments in connection with the psychiatric plan. Reports show that outstanding pledges total approximately NOK 69.4 million.
- Grants for compensation of interest and instalments (sheltered housing and nursing homes) were paid out for approx. NOK 124 million less than the allocation. The difference is due to the building process / completion of sheltered housing and nursing home places taking longer than planned in the budget.

- Interest compensation for educational institutions paid out approx. NOK 59 million less than the allocation. Up to 2006, approved projects had a total approximate value of NOK 15 billion. Based on the specified completed date, these should mainly be paid interest compensation in 2007. However, it appears that the extent of applications for payments was less than expected. This is the main reason for the under-consumption.

Revenues

Other fee income and commission income show a fall of approximately NOK 1.6 million. This is related to the fall in the number of customers/loans.

Welfare gains of the Housing Bank's activity

The social housing effort in relation to loans, grants and guidance is prioritised and produces results whereby the disadvantaged can set up home and stay there. This gives positive welfare gains both for the individual and for society as a whole.

Housing Bank helps establish the disadvantaged in their own home

The annual report shows that housing covers a basic need that is a vital part of the Norwegian welfare model. By setting up home, the household is in a better position to manage on its own. Housing benefit is an effective instrument for settling the disadvantaged in their own home. The living situation makes a positive contribution to stable circumstances and reduces the need for unemployment benefits, social security payments and institution costs.

It has previously been demonstrated that the housing benefit is administered effectively and that the financial allocations for housing benefit are relatively low in relation to the housing benefit in the other Nordic countries. The Housing Bank wants to place an

even greater focus on housing benefit in the coming years. The Board has proposed considerable growth in its input to the national budget for 2009.

Administration of loan activity - the state's interest margin

The loan administration in the Housing Bank was evaluated in 2004 in a consulting report, which concluded that the administration was extremely effective and competitive in relation to corresponding private operations. The loan activity is assessed on an ongoing basis in order to make it effective, in such a way that the resource effort can be transferred to the social housing effort. The Housing Bank is not purely a banking business that uses its own funding. The system allows the Housing Bank to finance its loan activities by means of drawing rights in the state group account scheme. Agreements with account-holding banks are established in accordance with the state's financial regulations and associated functional requirements.

The interest margin is set to 0.5 percentage points. This means that the state has an interest income from the Housing Bank's loan activity that amounted to an income of NOK 480 million to the state. (See note 18 in the accounts). The income exceeds the total administration costs, which are NOK 293 million and the net loss for the loan activity of NOK 10 million.

The state also has fee income from the loan activity of NOK 17.1 million in 2007, which is a slight fall from the previous year as a result of the reduction in the number of loans. The fee incomes shall, in principle, cover the administrative costs of establishing a loan and the subsequent administration of the loans.

Key figures 2007

Loans, pledges/approvals	2007		2006		2005	
	NOK mill.	Number	NOK mill.	Number	NOK mill.	Number
Total	11,043		12,466		13,245	
Loans for new housing etc.						
Basic construction loans / construction loans	5,099	4,192 homes	6,961	6,665 homes	6,978	8,138 homes
Loans for sheltered housing etc.			61	48 living units	254	300 living units
Loans to nursery schools	1,743	7,593 places	1,555	7,852 places	1,366	8,156 places
Loans for housebuying and home improvements						
Start-up loans	3,534	4,872 households	3,345	6,530 households	3,498	7,459 households
Basic renovation loans	527	2,021 homes	433	1,881 homes	1,094	5,877 homes
Basic loans for buying rented properties	140	155 homes	111	107 homes	55	56 homes
Loan limit	13,000		13,500		13,500	

Expenses/financing - homes with basic loan	2007	2006	2005
Average loan per home (NOK)	1,484,200	1,367,900	1,358,300
Average living area	83	80	84
Average building costs per m ² (NOK)	19,550	18,400	17,950
Building cost index for homes in total (2000=100) ¹⁾	132.4	123.3	118.8
Average costs per home (NOK)			
Price of land	197,100	173,000	143,200
Building costs	1,622,900	1,470,600	1,508,100
Project costs	1,958,500	1,757,700	1,755,200
Housing Bank loans as a percentage of project costs	75.8	77.8	77.4
Environmental qualities and universal design ²⁾			
Energy saving, number of homes	2,926	3,484	569
Universal design, number of homes	3,269	4,677	1,488

1) Source: Statistics Norway

2) In homes approved for basic loans for construction and improvement.

Grants from the Housing Bank	2007		2006		2005	
	NOK mill.	Number	NOK mill.	Number	NOK mill.	Number
Total	5,072		4,428		3,859	
Housing benefit	2,336.0	129,700 households	2,213.9	121,600 households	2,055.0	120,300 households
Housing grants - first home and rental	518.1	2,332 homes	492.6	2,331 homes	454.0	3,142 homes
Housing grants - adaptations	86.3	households	81.0	3,014 households	85.0	3,389 households
Compensation grants - sheltered housing etc.	1,405.5	40,503 living units	1,142.1	35,271 living units	976.8	33,002 living units
Educational institutions - interest compensation	524.0	61 projects	323.9	95 projects	206.9	118 projects
Church buildings - interest compensation	11.4	96 projects	3.1	204 projects	0.3	134 projects
Resource grants	81.0	393 projects	82.7	391 projects	56.7	256 projects
Housing, urban and local development grants	43.0	22 projects				
Student accommodation grants	66.8	333 homes	88.4	377 homes	24.3	98 homes



Payments, NOK million

	2007	2006	
Loans	12,031	10,802	
Housing benefit	2,336	2,214	
Housing grants	596	592	
Housing quality grants	14	42	47
Start-up grants for sheltered housing etc.	1,258	773	1,197
Compensation grants – sheltered housing etc.	1,406	1,142	977
Interest compensation – educational institutions and church buildings	535	327	207
Resource grants	63	46	33
Student accommodation grants	85	85	59
Total housing benefit and grants	6,293	5,221	5,181

Administration

	2007	2006	2005
Average interest rate as of 31 December			
Borrowings, percent	4.19	3.90	3.97
Loans, percent	4.18	3.89	3.95
Interest income, interest expenses, etc., NOK million			
Interest income – loans	3,999	3,690	3,726
Interest expenses	4,021	3,714	3,752
Interest support	21	23	25
Installments received	9,582	10,594	10,597
Total borrowings	96,865	94,416	94,208
Outstanding loans	96,936	94,435	94,320
Loan growth	2,501	115	17
Payment obligations	13,136	15,652	17,320

Defaults

	2007	2006	2005
Loss (net), NOK million	11	17	13
Loss as a percentage of outstanding loans	0.011	0.018	0.014
Defaulted loans, number	1,049	1,228	1,561
Defaulted loans, NOK million	676	791	965
Defaulted loans as a percentage of total loans	0.70	0.84	1.02
Compulsory sale applications, number	396	467	558
Compulsory sales completed, number	68	93	111
Repossessed properties in administration as of 31 December, number	5	7	9

Administration

	2007	2006	2005
Imparting knowledge, number of events	1,017		
Imparting knowledge, number of participants	25,598		
Adm. expenses incl. losses on loans, NOK million	293	298	295
Adm. expenses as a percentage of outstanding loans	0.30	0.32	0.31
Average number of FTEs	353	345	349
Operating expenses per FTE (NOK)	830,000	843,500	845,300
Fee income, NOK million	18	19	21

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