



**FINANCE
DENMARK**

Response to the EU Commission's Initiative on State Aid for the Construction of Affordable Housing

Finance Denmark supports a coordinated EU approach to housing as a key priority for the 2025-2029 mandate of the European Commission – and a greater focus in general on affordable housing. Being able to afford a home is essential for filling various basic needs, such as health, employment etc. Ensuring more affordable and sustainable housing is a pressing issue. Otherwise, the European housing crisis could end up weakening our economy and reducing our competitiveness.

The financial sector already plays a vital role in ensuring access to housing finance through stable and competitive models, including covered bond-based financing. The competitiveness of the European model is therefore of paramount importance. European banks compete globally on capital markets, where capital and funding costs determine their capacity to actively serve households and families. Therefore, it is important to closely examine the regulatory framework in the EU and the implementation of Basel III. In addition, the regulation of the financial sector has become too complex and detailed, and there is a need for simplifying the regulatory environment. By securing a better regulatory framework, the EU can boost competitiveness in the financial sector and thereby enable the financial sector to better support affordable housing.

Finance Denmark recognize that state aid can play a significant role in promoting the construction of affordable housing, especially in areas with structural challenges or where the market fails to provide sufficient supply. However, it is important that state aid is used in a targeted and proportional manner so that it does not distort competition or undermine the private sector's incentives to invest in housing construction.

An increased supply of housing – both owner-occupied and rental – will in itself contribute to lower prices and better access. Therefore, public support should primarily be used to remove specific barriers, for example by promoting access to building plots or supporting innovation in the construction sector.

Finance Denmark recommend that the EU, in designing support schemes, seeks inspiration from well-functioning national models, such as the Danish mortgage model and the system for social housing, which combine social responsibility with market discipline. Any savings or profits that may come from affordable housing,

Memo

July 25, 2025

Doc: FIDA-1379516692-699390-v1

whether in connection with rental or sale, should be reinvested in affordable housing and must be recirculated in the sector according to the principles of a revolving fund.

If public support is deemed necessary in securing more Affordable Housing, it can be in the form of grants, deductions, premiums/bonuses, etc. Though public support should – as mentioned above - primarily be used to remove specific barriers. However, it is important to assess the potential consequences of increased public support. It can, for instance, lead to waiting lists, queues (who should get access to the affordable housing?), and increase prices on other housing segments if the supply of market price-based housing decreases.

If the decision is made to revise the SGEI rules, it is crucial that the outcome is a clear and operational regulatory framework. Clarity is a prerequisite for the rules to be applied in practice and to have the intended impact. Moreover, it is essential that the revised framework safeguards the legal certainty of private actors. Private actors are exposed to significant legal and financial risks if aid is later deemed incompatible and must be recovered. It is therefore crucial that the rules provide clarity on when aid is considered lawful.

Finance Denmark is of course available if there are any questions regarding the comments above.

Memo

July 25, 2025

Doc. no. FIDA-1379516692-699390-
v1

