Specialized Financial Intermediaries and the Impact of Savings and Loan Contracts on Real Estate Finance*

Manuel Molterer ● Julian Amon ● Marcel Tyrell

Using several different datasets obtained from the German Central Bank (Deutsche Bundesbank) and the German Federal Statistical Office, we provide empirical evidence that savings and loan contracts (SLCs) are a macrosocial phenomenon that smooths housing demand by setting countercyclical incentive structures. Such contracts can thus serve theoretically as important stabilizers of housing (loan) demand. This idiosyncratic characteristic of the German real estate finance market, provided by German building societies ("Bausparkassen"), may also explain the notorious stability of the country's housing market. The significant macroeconomic importance of housing market stability has been prominently highlighted in the context of the 2007-2008 Financial crisis, which was triggered by the collapse of the U.S. subprime mortgage market. This research is particularly relevant for countries that experienced fragile housing markets with a high level of cyclicality in demand and nominal house prices.

JEL Classification: E21, E43, E44, G21, G28, R21

Keywords: Real estate finance, financial intermediation, housing markets, financial stability, mortgage financing, building societies, savings and loan contracts

---

* The authors thank Dirk Schiereck and Mark Mietzner for valuable comments and excellent suggestions. This paper has benefited further from the comments of several research seminar participants at Zeppelin University and Technical University Darmstadt in 2015 and 2016. We also thank the participants of the 54th Annual Conference of the Academy of Economics and Finance for useful comments. All errors are those of the authors. A preliminary version of this paper was titled "Savings and Loan Contracts - Impact on Mortgage Financing". This paper has been published as part of the Doctoral Thesis of Manuel Molterer with the title "Specialized Financial Intermediation - Stability Implications for Financial Systems and Real Estate Markets" in 2018. Several updates were made in this version.