

# EAPB Position Paper on Housing Simplification and Finance

## Executive Summary

National and regional promotional banks and institutions (NPBIs) are the primary channel for the delivery of EU housing finance, a role formally recognised by the European Parliament in its resolution of 10 March 2026. EAPB members, together with members of the European Association of Long-Term Investors (ELTI), have collectively stated the ambition to mobilise EUR 375 billion by 2029 across the Union. Whether this capacity is deployed in full depends on two parallel agendas: the architecture of the next Multi-Annual Financial Framework (MFF), and the simplification of the regulatory frameworks that today constrain housing finance. EAPB's positions on both are summarised below.

### Part I — Housing Funding in the future MFF

- Include housing as a mandatory element in the country-specific recommendations guiding the National and Regional Partnership Plans (NRPPs), and exclude CAP and CFP spending from the calculation of minimum allocations for less developed regions to prevent the displacement of housing investment.
- Preserve the direct eligibility of housing investments under the European Competitiveness Fund (ECF) InvestEU Instrument as in the Commission's original proposal. The Instrument should also support housing as a cross-cutting investment under its general objectives, in continuity with the social infrastructure window of InvestEU, and operate on a multiannual programming horizon that matches the long maturities of housing finance.
- Establish affordable housing as an explicit Union Action under the EU Facility, with a dedicated budget, and use at least 10% of the EU Facility envelope to provision the ECF InvestEU Instrument budgetary guarantee in support of social and affordable housing under Annex XV(1)(c), and create a targeted mechanism to redirect unused Recovery and Resilience Facility resources to social, public, cooperative and affordable housing during the 2026–2028 transition period.

Set up the general foundation for Member State-adjusted schemes based on cooperation between the EIB, the CEB and potentially other cross-national development banks and local/regional NPBIs, focused on intermediated/co-financing models (where applicable) to ensure sustainable, cost-effective, long-term financial support of social/affordable housing.

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### Part II — Housing Simplification

- In the EPBD revision: recognise serial and industrialised renovation as a compliance pathway, address the conflict between monument conservation and energy renovation, and move away from the “efficiency-first” principle in favour of cost-efficiency and CO<sub>2</sub> reduction. Align the EU Taxonomy with the EPBD and substantially simplify DNSH criteria for the buildings sector.
- Under the Public Procurement and Construction Products frameworks: allow for integrated design-and-construction contracts and accelerate standardization for prefabricated modules to enable industrialised delivery.
- Under CRR III: amend Article 126a CRR and the related EBA Guidelines to provide for a 100% risk weight for qualifying affordable housing projects, revisit the application of Article 124 CRR for subordinated promotional loans on residential property, and proceed with the complete removal of the Systemic Risk Buffer (SyRB) from the EU macroprudential framework and review the 100% RW calibration itself downward to reflect the low risk profile of social housing financing.
- Under Solvency II: establish a differentiated, lower risk weight for qualifying affordable housing investments meeting defined public-interest criteria.
- Under the Anti-Tax Avoidance Directive: introduce an explicit exemption for social and affordable housing providers from the Article 4 interest limitation rule. Under ESA 2010: guidance on the (off) balance-sheet classification of housing providers, building on the November 2025 recommendation of the European Affordable Housing Advisory Board.
- Substantially simplify InvestEU appraisal and reporting for housing, expand the InvestEU guarantee in the current MFF, systematise blending with grants, and develop a standardised framework for combining EU and national funding in housing. Raise the direct-loan cap to at least 70% for qualifying affordable housing operations to accommodate the sector's structural reliance on long-term debt. Clarify double funding rules and adjust them to housing specificities (cost split to avoid double funding is often impractical or downright impossible in housing projects).
- Significantly facilitate and simplify the use of European funds dedicated to housing, particularly in terms of combining them with domestic programs/facilities.
- Support the transition to the new SGEI Exemption Decision 2025/2630/EU through model entrustment acts for the housing sector ahead of the 8 January 2028 deadline and add the possibility to fund affordable housing under the General Block Exemption Regulation
- Welcome the Commission’s commitment in the European Affordable Housing Plan to study a voluntary EU Social Investment Framework, and call for it to be voluntary, lean, interoperable with the EU Taxonomy, SFDR, CSRD and EPBD, and to explicitly recognise NPBI lending and guarantee instruments and the renovation of the existing affordable housing stock. EAPB’s positioning is set out in the October 2024 joint paper *“Europe Needs to Mobilise Capital for Social Investments”*.

EAPB stands ready to work with the Commission, the European Parliament and the Council on both agendas. The full positions and the underlying rationale are set out in the body of this Paper.

## Introduction

National and regional promotional banks and institutions (NPBIs) have been the primary channel through which EU financial instruments for housing have reached the ground for decades. The European Parliament recognised this in its resolution of 10 March 2026 on the housing crisis in the European Union, which formally recognises that NPBIs play an essential role in financing decent, affordable and sustainable housing, leveraging private investment and strengthening the financing framework at national and regional level.

The scale of this commitment matches the scale of the challenge. EAPB members, together with members of the European Association of Long-Term Investors (ELTI), **have collectively stated the ambition to mobilise EUR 375 billion by 2029** to support affordable, social and sustainable housing across EU Member States, in endorsement of the European Commission's European Affordable Housing Plan of December 2025. This financing flows through instruments calibrated to the long-term, low-return, high-social-impact profile that housing investment requires, and that private capital alone will not supply at the necessary scale. Concrete examples of NPBI activity on the ground, across affordable housing delivery, energy renovation, modular construction, and social infrastructure are set out in the [EAPB-ELTI Housing Brochure](#).

Against this background, **EAPB welcomes the Commission's announcement of an NPBI-centred pan-European Investment Platform for affordable housing**. This is the right architecture: NPBIs are the main promotional actor in European housing finance, with the long-standing public-policy mandate, sectoral expertise and territorial reach required to translate EU funding into housing delivery on the ground.

EAPB also welcomes the Commission's decision to extend the **EU State aid framework to affordable housing**, and not only to social housing in the narrow sense. This extension opens real room for action by enlarging the population of housing operators and projects that can be supported through public resources without falling foul of State aid rules, and it aligns the State aid framework with the broader scope of the European Affordable Housing Plan.

More broadly, the **"open architecture" model should be the cornerstone of any EU instrument under indirect management supporting affordable housing**. This approach allows NPBIs and other international financial institutions (IFIs) to implement EU initiatives alongside the EIB Group, bringing EU financial resources closer to national, regional and local needs and responding effectively to the diverse housing challenges across EU Member States. The intermediation model "EIB → NPB → beneficiaries" has proven to work exceptionally well, combining the EIB Group's resources with the local know-how, expertise and well-established business relationships of the relevant NPB on the domestic affordable housing market. The open architecture should preserve this proven route while equally enabling NPBIs to access EU resources directly and to co-finance alongside the IFIs, rather than channelling support solely through a single institution.

This Position Paper sets out EAPB's positions on two interconnected agendas that will determine whether this delivery capacity can be deployed at scale in the next programming period. The first part addresses the architecture of the future Multi-Annual Financial Framework (MFF), and the design choices in the National and Regional Partnership Plans (NRPPs), the European Competitiveness Fund (ECF) InvestEU Instrument and the EU Facility

that will determine whether EU resources actually reach the housing sector. The second part addresses the regulatory frameworks that today constrain housing finance (building stock regulation, prudential rules, tax and accounting frameworks, and EU funding instruments) and where targeted simplification would unlock investment without requiring new appropriations. EAPB stands ready to work with the Commission, the European Parliament and the Council on both fronts.

## Part I — Housing Funding in the future Multi-Annual Financial Framework

The next MFF must reflect the centrality of housing for European competitiveness, social cohesion and territorial development. The proposals below set out the specific design choices that will determine whether the EU housing model rises to the occasion and the challenge or fails to deliver.

### A. Within the National and Regional Partnership Plans (NRPPs)

#### 1. Housing as a mandatory element in the plans

Being one of 28 specific objectives in the NRPP framework guarantees nothing in budgetary terms. As documented by the European Parliament, in its resolution of 10 March 2026, investment in social and affordable housing stock has fallen dramatically since the 2008 financial crisis, and that just 7% of the EU's Recovery and Resilience Facility in 2024 was spent on social housing and other social infrastructure. This is the institutional track record of what happens when housing competes for resources without a dedicated floor: it consistently loses.

We therefore call for the Commission **to include housing as a mandatory element in the country-specific recommendations** that will guide the preparation of the plans, ensuring that identified housing deficits cannot be silently deprioritised at the programming stage or neglected at national or even regional/local level, where public authorities often perceive housing as lower investment priority than e.g. roads, sewage or waste disposal facilities etc.

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#### 2. Excluding housing from the risk of CAP absorption in less developed regions

The minimum allocations for less developed regions can be fulfilled with CAP spending above the ringfenced amount. In regions where agricultural activity is dominant, this means housing gets displaced precisely where it is most needed. **We call for all CAP and CFP spending to be excluded from the calculation of minimum allocations for less developed regions**, as proposed by the European Parliament study (Rubio & Alcidi, 2026).

### B. Within the European Competitiveness Fund (ECF) InvestEU Instrument

#### 3. Preserve direct ECF InvestEU eligibility for housing investments

Housing is a competitiveness issue. Adequate, affordable and sustainable housing is essential to attract and retain workforce, support labour mobility and underpin industrial deployment across the Union. Implementing **partners should therefore be allowed to use the ECF InvestEU Instrument for housing, subject to the simplification of the Instrument** set out in Part II of this Paper and in line with the principle of subsidiarity.

The Commission's current proposal preserves housing eligibility under the ECF InvestEU Instrument, which we welcome. However, the ITRE Draft Report on the ECF Regulation (April 2026) proposes to introduce a new Article 22a (Amendment 173) under which housing and

social investments **would be eligible via the ECF InvestEU Instrument only where Member States commit National and Regional Partnership Plan resources.**

EAPB strongly opposes this proposal. If approved, it would make future housing investment volumes under the ECF InvestEU Instrument entirely dependent on Member State NRPP commitments and on national delivery architectures, removing the predictable EU-level channel that NPBs currently use to deliver social infrastructure and housing financing under InvestEU. This is incompatible with the systemic role of housing in EU competitiveness and with the implementing partner model that has been essential for the success of InvestEU. EAPB therefore **calls on the co-legislators to preserve the direct eligibility of housing investments under the ECF InvestEU Instrument**, as in the Commission's original proposal, and to reject the conditionality introduced by Amendment 173.

#### 4. Confirm cross-cutting eligibility of housing under the ECF InvestEU Instrument

Housing should also be supported under the general objectives of the ECF, in continuity with the dedicated social infrastructure window of the current InvestEU Programme. Article 3(2) of the ECF Regulation **should be read in a way that confirms the eligibility of cross-cutting initiatives (including social infrastructure and affordable housing)** that contribute to the general objectives of the Fund without being limited to the four policy windows. In the absence of a dedicated housing window in the Commission proposal, this is necessary to avoid unintended gaps in support and to ensure the continued financing of housing projects delivering significant social and economic value across the Union.

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#### 5. A multiannual programming horizon for the ECF InvestEU Instrument

The ECF InvestEU Instrument **should operate on a stable multiannual programming horizon, distinct from the annual work-programme cycle** that governs other parts of the ECF (Article 12(1) and Recital 50). Long-term programming is essential for financial instruments to provide predictability, catalyse private investment and support strategic projects. This is especially relevant for housing, where promotional bank financing is structured over horizons of 20–50 years and where annual programming is structurally ill-suited to the duration of the underlying loans, guarantees and equity commitments. Flexibility can be ensured through regular or continuously open calls for expressions of interest, without compromising on the predictability that the Instrument requires.

### C. Within the EU Facility

#### 6. Housing as an explicit Union Action in the EU Facility

The EU Facility can finance 14 Union Actions, but housing does not appear as a dedicated action. **We call for affordable housing to be an explicit Union Action under the EU Facility, with a dedicated budget.** As the European Parliament study notes, the Facility should also be used to mitigate the negative territorial effects of the ECF, and one of those

effects is precisely the pressure on local housing markets generated by large-scale industrial investments.

Such a measure would also allow the EU to set up a dedicated financial framework that logically connects and encompasses the activities of both international financial institutions, such as the EIB and the CEB, and NPBI. This framework should operate both through and in cooperation with these institutions: drawing on the well-proven intermediated model where appropriate, while equally enabling NPBI to access EU resources directly and to co-finance alongside the IFIs, including direct co-financing for particularly ambitious or larger-scale projects. The aim is to keep both channels available rather than to route EU Facility support solely through the IFIs.

### **7. A 10% earmark of the EU Facility envelope to provision the ECF InvestEU Instrument guarantee for housing**

In addition to a dedicated Union Action, at least 10% of the EU Facility envelope should be used to provision the ECF InvestEU Instrument budgetary guarantee, in support of the actions referred to in Annex XV(1)(c) — which expressly cover social and affordable housing. This would establish a stable, predictable channel of EU Facility financing for housing through the ECF InvestEU Instrument, ensuring continuity with the social investments and skills window currently operated under InvestEU and providing implementing partners with the long-term horizon required to mobilise private capital at scale.

## **D. Transitional measures**

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### **8. Reallocation of unused Recovery and Resilience Facility resources**

The transition to the new MFF will leave a window in which significant volumes of Recovery and Resilience Facility resources may remain uncommitted or unspent. Rather than allowing these to lapse, **we call for a targeted mechanism to redirect unused RRF resources specifically to the construction and renovation of social, public, cooperative and affordable housing.**

This is not a novel demand: the call to redirect unused Recovery and Resilience Plan resources to support the construction and renovation of social, public, cooperative and affordable housing was made directly by the European Parliament in its resolution of 10 March 2026, building on the report adopted by the Special Committee on the Housing Crisis on 9 February 2026.

The proposal has three advantages that make it particularly tractable in the current political context. It does not require new budget appropriations, which reduces the political cost of accepting it. It can be implemented before the new MFF enters into force, addressing the financing gap in housing investment during the 2026–2028 transition period. And it would send a credible signal of political will on housing ahead of the MFF negotiations, reinforcing the case for permanent earmarks in the new framework.

## Part II — Housing Simplification: Removing the Regulatory Obstacles

Beyond the architecture of the next MFF, the delivery of affordable and sustainable housing is constrained by a set of EU regulatory frameworks whose interaction with the housing sector has not been adequately calibrated. The upcoming Housing Simplification Package announced by the Commission offers a unique opportunity to address these constraints.

### Cluster 1 — Building stock regulation

#### Energy Performance of Buildings Directive (EPBD)

EAPB calls on the Commission to address three concrete obstacles in the EPBD revision. First, on monument conservation versus energy renovation, stringent conservation rules in countries with large historic building stocks effectively prevent the installation of external insulation, replacement of historic windows or modification of façade: the very measures required to meet EPBD renovation standards. EAPB calls for EU-level guidance on reconciling heritage preservation and energy objectives, and for proportionate alternative pathways (including partial renovation measures and lifecycle GHG approaches that credit heritage reuse over demolition and new-build) to be recognised where full compliance is not feasible.

Second, on serial and industrialised renovation, methods piloted by EAPB members have proven effective in accelerating delivery, reducing per-unit costs and mitigating labour shortages. The EPBD revision should: (i) recognise serial renovation as a pathway to compliance with minimum energy performance standards; (ii) allow Member States to provide fast-track permitting for pre-certified serial renovation modules; and (iii) enable promotional banks to offer dedicated financial premiums for industrialised renovation, supported by EU-level technical assistance and InvestEU guarantees. Grant support should also form part of this toolkit: serial and industrialised renovation projects involve substantial upfront capital costs that, without a grant component, would drive potential rents beyond levels compatible with affordable housing.

Third, on the “efficiency-first” principle, the maximum efficiency standard should no longer be the primary focus for residential buildings. To achieve the transformation of the building stock and the urgently needed construction of new housing, the focus must shift to cost-efficiency for all construction measures and to the greatest possible reduction in CO<sub>2</sub> emissions. The requirement for zero-emission buildings to consume 10% less total primary energy than existing nearly zero-energy buildings should be abandoned, and the costs of additional certifications should be reduced to a minimum. The focus should be on the energy performance improvement of the worst-performing buildings, with a clear emphasis on low-temperature compatibility for the installation of heat pumps. There are some examples of nearly passive buildings in affordable housing but such projects (with moderate rent) are only possible if an appropriate financial structure is readily available (e.g. based on grants and long-term concessional loans).

#### Construction Products Regulation (CPR)

Scaling modular and prefabricated construction methods is constrained not only by standardisation gaps but also by the absence of financing frameworks adapted to industrialised construction. The current fragmentation of building codes across Member States means that a prefabricated module certified in one jurisdiction may not be accepted in another, destroying the economies of scale that make modular construction cost-effective. EAPB calls on the Commission to: (i) prioritise accelerated standardisation for prefabricated building renovation modules under the CPR; (ii) ensure that the declaration of environmental performance remains feasible and proportionate for SMEs delivering modular housing components, avoiding the disproportionate burden of the “worst-case approach”; (iii) explore mutual recognition mechanisms for prefabricated modules already certified under national technical assessment bodies; and (iv) consider whether the CPR and Eurocodes frameworks could jointly enable a single compliance pathway for prefabricated units designed for affordable housing, conceptually analogous to the Digital Building Logbook under the EPBD.

## EU Taxonomy

Promotional banks typically finance the public sector through general-purpose loans that cannot be tied to a specific Taxonomy-aligned activity. As such, they cannot be classified as aligned, even when the underlying spending clearly contributes to the Taxonomy's environmental objectives. This leads to a structural underestimation of the taxonomy alignment of the balance sheets of promotional banks, and more importantly, structurally excludes promotional banks from the EU's Green Bond Standard instrument for a substantial share of their portfolio. EAPB therefore proposes to extend usage to public sector spending beyond use of proceeds, in line with the recommendations of the Platform on Sustainable Finance.

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On EPBD–Taxonomy compatibility, social and affordable housing generally fulfils legal energy-efficiency standards but, due to the focus on affordability, often does not fulfil the very ambitious targets of the green Taxonomy. The Taxonomy and the EPBD must be designed to be compatible. In line with the EPBD, the focus should be on the energy performance improvement of the worst-performing buildings rather than on achieving the highest possible efficiency standard. The DNSH criteria and horizontal guidelines should be further reduced and simplified, and new buildings should not be required to fall below the national minimum energy standard by 10%.

Where promotional banks do finance social housing on a use-of-proceeds basis, the current draft Technical Screening Criteria proposed by the Commission does not yet provide a framework that is operationally feasible or scalable for financial institutions. Targeted adjustments are required: for EA 7.1, the expanded requirements (lower thresholds for technical assessments and mandatory GWP calculations) significantly increase complexity and reduce usability and should be reconsidered; for EA 7.2, the proposed DNSH requirements (water, circular economy and pollution prevention) cannot be reliably verified by financial institutions in lending practice and should be waived or treated as observation criteria; for EA 7.7, the proposed requirement of a 60% energy reduction within 10 years is not operationally feasible. In particular, the 60% reduction over a 10-year period should apply only to the worst-performing buildings; existing buildings with better energy performance should be subject to proportionate alternative pathways — for example, a requirement to be among the

top 30% of the national building stock within 10 years. The compliance check should be feasible at loan origination on the basis of available documentation, and a roadmap for future renovations should be recognised as an acceptable compliance pathway. It seems that current technical requirements and regulations concerning residential construction already ensure sustainable, decent housing with moderate running costs and sufficient quality. In many Member States, social/affordable housing projects win domestic or international awards for energy efficiency, architecture or urban integration. The EAPB should refrain from making criteria even more stringent or elevated in order to keep costs reasonable.

Three further points warrant specific attention. On the climate adaptation DNSH criterion (and similarly for renovation operations), the absence of clear EU-level thresholds for exposure to climate risks generates significant divergence in analytical results across the tools used by financial institutions; the Commission should establish harmonised thresholds and methods at EU level. On acquisition-improvement operations, the energy-consumption reduction criterion required to satisfy the mitigation objective is difficult to achieve in practice and should be relaxed to allow this category of housing investment to be incorporated into the Taxonomy. And for the EU's Overseas Territories, existing energy-performance criteria and calculation methods do not reflect tropical and island contexts; geographical differentiation, with adapted methodologies and thresholds, would enable affordable housing operations in these territories to be brought within the Taxonomy framework.

Taken together, these gaps mean that social housing — whether financed indirectly through general-purpose lending to local authorities, or directly through use-of-proceeds financing to social housing providers — is not appropriately considered by the EU's sustainable finance framework. Social housing lending cannot be used as the basis for EU Green Bond issuance under the EUGBS, weighs on banks' Green Asset Ratio despite delivering clear environmental and social benefits, and is structurally excluded from the green funding advantages, product innovation and investor visibility the Taxonomy was designed to channel. The result is that the EU's flagship sustainable finance tool systematically fails to support one of the most socially valuable lending activities in Europe, at precisely the moment the sector is being asked to scale up renovation and delivery.

## Public Procurement Directives

The current evaluation of the Public Procurement Directives, ahead of their revision, is the right moment to remove structural frictions that delay affordable housing delivery without serving any clear public-interest purpose. Three priorities matter most for the housing sector.

First, the principle of subdivision into separate lots, while justified for many sectors, hampers the use of industrialised and modular construction methods that depend on integrated planning and execution. The existing exemptions available to certain social housing organisations should be extended to standard contracts, and joint planning-and-construction contracts should be explicitly recognised as compatible with the procurement framework where they enable industrialised delivery.

Second, several procedural rules carry administrative cost without proportionate value: the conditions for using the negotiated procedure should be relaxed for housing contracts; the

duration of framework agreements available to contracting authorities should be extended (currently capped at four years against eight years for contracting entities); mini competitions in housing framework agreements should be waivable; and thresholds for “minor” contract amendments should be raised. The two-stage publication mechanism already permitted under the Concessions Directive — summary documents at application stage, full documents at tender stage — should be extended to restricted procedures under Directive 2014/24/EU.

Third, the innovation partnership procedure under Article 31 of Directive 2014/24/EU is too cumbersome to be useful for affordable housing innovation and should be made more flexible. The Most Economically Advantageous Tender (MEAT) criterion should remain the default, with the concept of life-cycle costing — already provided for in the Directive — clarified on how it is to be assessed.

## Cluster 2 — Prudential and financial regulation

### Capital Requirements Regulation and Directive (CRR/CRD)

Promotional banks fund primarily the public sector, municipalities, social housing projects, and SMEs, with low-risk portfolios and explicit public mandates. EAPB and ELTI members have collectively expressed their ambition to mobilise EUR 375 billion of housing investment by 2029, building on a track record that, in 2023 alone, mobilised close to EUR 50 billion in financing and supported more than 380,000 dwellings across the Union. This underlines the systemic role of promotional banks in the delivery of affordable and social housing in the Union. The CRR III framework, however, treats this lending in ways that are misaligned with both economic risk realities and the EU’s own housing policy objectives.

In the construction phase, exposures are generally classified as Acquisition, Development and Construction (ADC) exposures under Article 126a CRR with a 150% risk weight, and the EBA Guidelines’ reduced 100% risk weight where housing demand exceeds supply is in practice unusable: the institution must demonstrate the demand-supply imbalance at project or communal level, but the underlying data is not available in the format prescribed by the EBA Guidelines, which creates legal uncertainty and effectively closes the exemption in practice.

In the operational phase, exposures are typically classified as Income-Producing Real Estate (IPRE) under Articles 124 and 125 CRR. Because promotional banks frequently have a subordinated claim to the proceeds from the sale of the property (junior lien), the resulting exposure typically extends beyond the secured portion of the property, and is therefore subject to the elevated 150% risk weight under Article 124 (1)(b) CRR. The cumulative effect is an inversion of risk logic: a loan secured by real estate may attract a higher capital requirement than an unsecured corporate exposure.

This calibration mismatch is structural, not incidental. The elevated risk weights for ADC and IPRE were designed to capture the specific risks of commercial real estate developers operating in competitive markets: principally, the risk that newly developed property cannot be let or sold at the anticipated price. This risk profile differs fundamentally from that of municipal housing companies and other affordable housing providers, which (i) operate in markets

characterised by persistent and structural excess of housing demand over supply, where the vacancy risk that underpins the 150% calibration does not exist in any meaningful sense; (ii) derive rental income from a large number of individual tenancies, with the diversification, predictability and resilience that this implies, and in the case of social housing partly from the State directly; (iii) operate under statutory social policy mandates that prioritise the long-term provision of affordable housing over profit maximisation, resulting in conservative business models with stable cash flows — the antithesis of speculative real estate development; and (iv) are typically backed by municipalities with a strong incentive to prevent financial distress of their housing companies, even in the absence of a formal guarantee. The same risk weight calibration cannot prudently apply to both profiles.

EAPB calls for three amendments. First, Article 126a CRR and the related EBA Guidelines should be amended to provide for an automatic or significantly simplified application of a 100% risk weight for qualifying affordable housing projects. Second, the application of Article 124 CRR should be revisited to ensure that promotional loans on residential property secured by a junior lien are not systematically subject to punitive capital charges solely due to their position in the capital structure. Third, a flat-rate risk weight (e.g. 30%) for portfolios supporting social and affordable housing collateralized by a first lien, applicable to both ADC (acquisition, development, construction) exposures and completed properties, could be applied. This would free up resources at promotional banks for additional housing lending.

Beyond the risk-weight calibration, CRR III introduced more prescriptive valuation rules for real-estate collateral, despite the historically low default rate on affordable housing exposures (mainly driven by exceptionally stable rent payment flows that proved resilient even to the COVID-19 pandemic) and the diversity of valuation techniques across Member States. Article 208 CRR on the valuation of immovable property used as collateral imposes obligations that disproportionately burden housing finance: financial institutions must conduct valuation audits at least every three years for residential property whose value exceeds EUR 3 million or 5% of own funds (annually for commercial real estate), monitor the property insurance of the collateral, and apply the concept of “sustainable value”. EAPB calls for: (i) differentiated valuation frequencies depending on the risk profile of the exposure; (ii) broader recognition of transaction-based data and price indices produced by public bodies or sworn officers and used for official statistics; (iii) broader use of Automated Valuation Models (AVMs) where adequate quality criteria are defined; and (iv) reconsideration of the insurance verification requirement and the concept of “sustainable value” set out in Article 208(5) CRR.

In addition, EAPB reiterates its call for the complete removal of the Systemic Risk Buffer (SyRB) from the EU macroprudential framework, including any sectoral SyRB targeting real-estate exposures. As a purely European instrument not rooted in the Basel framework, the SyRB constitutes gold-plating that ties up bank capital that could otherwise support housing lending and demonstrably makes new housing finance business more difficult.

## Solvency II

The standard 25% capital charge for property risk under Solvency II, set out in Article 174 of Commission Delegated Regulation (EU) 2015/35, implementing the property risk sub-module referred to in Article 105(5), second subparagraph, point (c) of Directive 2009/138/EC, applies

uniformly regardless of whether the investment is in speculative commercial real estate or in affordable housing with stable, long-term cash flows backed by public co-financing. This makes affordable housing unattractive relative to other asset classes for institutional investors, significantly reducing the pool of long-term private capital available to complement public investment. The 25% calibration was historically derived from UK commercial property data covering 1987–2008, reflecting a speculative, volatile commercial-market profile that has limited relevance to the long-term, low-volatility cash-flow profile of affordable housing backed by public co-financing. EIOPA had already suggested a recalibration of the property risk shock in the run-up to the current review of the Delegated Regulation. EIOPA's 2019 consultation paper on the 2020 Review of Solvency II explicitly recognised that determining a 25% SCR on the back of data that comes predominantly from a single Member State (the United Kingdom) distorts the reality for the wider European real estate universe.

EAPB calls for a differentiated, lower risk weight for qualifying housing exposures – an amendment to Article 174 of Commission Delegated Regulation (EU) 2015/35 introducing a differentiated, lower property-risk shock for qualifying affordable housing exposures that meet defined public-interest criteria: long-term occupancy commitments, rent caps at or below defined affordability thresholds, public co-financing or guarantees from promotional banks or EU instruments, and limited-profit or reinvestment obligations on the housing provider.

The current revision of the Solvency II framework — Directive (EU) 2025/2, to be transposed by 30 January 2027, together with the parallel amendments to Delegated Regulation 2015/35 announced by the Commission — provides a timely window to deliver this recalibration, in line with the stated objective of removing overly conservative capital requirements that prevent insurers from financing EU strategic priorities, including affordable housing.

### Cluster 3 — Tax and accounting frameworks

#### Anti-Tax Avoidance Directive (ATAD)

Article 4 of ATAD limits the tax deductibility of net borrowing costs to a maximum of thirty per cent of EBITDA, with Member States free to apply stricter thresholds (the Netherlands, for instance, applies twenty-four-point-five per cent). While designed to counter aggressive tax planning, the rule disproportionately affects affordable housing providers that rely structurally on long-term debt (typically 20 to 50 year concessional loans from promotional banks) and whose EBITDA is deliberately low because rents are capped below market levels and any operating margin is reinvested into housing services. These entities have no tax avoidance motive whatsoever.

The order of magnitude of this burden is illustrated by the situation in the Netherlands, where the ATAD interest deduction limitation is projected to cost the social housing sector approximately EUR 414 million in 2025, rising to EUR 628 million by 2029.

The Directive does contemplate exemptions, but the design of those exemptions discourages Member States from using them. The first, the standalone-entity exemption, is binary: it either excludes all standalone entities from the rule or none, leaving Member States no calibration to target the exemption at the housing sector. Excluding all standalone entities may go against several policy objectives of the Member State, such as ensuring more equal treatment of debt

and equity financing, and that conflict typically outweighs the case for exempting some entities that the rule was not intended to capture in the first place. The second, the long-term public infrastructure exemption under Article 4(4)(b), could sound in principle more promising, but its scoping is unclear: Member States are uncertain whether affordable housing falls within it, and the Commission has not provided guidance one way or the other.

There are two ways of tackling this problem. The first is an explicit exemption for social and affordable housing providers in the Directive itself. The alternative is a formal Commission clarification that affordable housing qualifies as long-term public infrastructure for the purposes of Article 4(4)(b).

### **European System of Accounts (ESA 2010)**

The ESA 2010 framework determines whether a housing provider is included in the State's balance sheet or not. Inclusion or exclusion in national accounts heavily influences the ability of Member States to deliver affordable housing, because the fiscal rules under the Stability and Growth Pact apply at the level of the consolidated general government sector.

Under ESA 2010 (Annex A of Regulation 549/2013), classification of an entity in the national accounts follows a sequence of tests: first whether it is a distinct institutional unit (§ 2.12), then whether it is a market or non-market producer based on the 50% test of sales over production costs (§§ 20.19–20.34), and only then whether it is government-controlled (§ 2.38).

Social housing frameworks vary considerably across Europe, and depending on how a Member State has structured its delivery model (limited-profit, cooperative, housing-association or municipal corporation) providers are included in or excluded from the national accounts as a function of legal architecture rather than economic substance. Recent years have seen the dynamic move in the wrong direction: Ireland reclassified its Approved Housing Bodies into general government in 2017, and Finland followed in 2022 with the reclassification of the financing of its key housing finance entities. Each reclassification narrows, in practice, the fiscal space available for affordable housing investment in the Member State concerned, regardless of the financial autonomy of the providers themselves.

In some Member States, tenants' cost contributions are one of the sources of funding for affordable housing investments. Since the way these contributions are valued directly affects the financial position of housing providers, it would be highly beneficial to regulate their valuation/appraisal mechanism in a clear and appropriate manner, ensuring that it does not place an additional burden on affordable housing providers.

Given the relevance of the classification, EAPB welcomes the call of the European Affordable Housing Advisory Board that exclusion from national accounts should be possible for housing providers with significant market-based revenue and operational autonomy, and supports the call for Eurostat and DG ECFIN to provide guidance on how national frameworks can enable this.

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### **Cluster 4 — EU funding instruments and State aid**

## InvestEU and EU funding instruments more broadly

InvestEU is currently not well adapted to housing investments: complex appraisal and risk assessment processes, heavy reporting requirements, and limited capacity to combine grants with debt and equity financing reduce its effectiveness and limit its uptake by NPBI active in the sector. EAPB calls for substantial simplification along four lines. First, streamlined appraisal and reporting across InvestEU and EU instruments more broadly. Second, expansion of the InvestEU guarantee for housing in the current MFF, including through reallocations from other EU programmes or unused NextGenerationEU funds. Third, systematic blending with grants, recognising that dedicated grants are essential to address rising construction costs and that cohesion policy funds and other shared management instruments play a key role in providing the grant component. Fourth, a standardised framework for combining EU and national funding in housing, with harmonised reporting, clear cumulation rules as well as double funding exclusions and consistent audit standards, covering both centrally managed instruments such as InvestEU and shared management funds, along with simplification of use of the latter. In particular, double funding constraints often appear overly restrictive – theoretically, it is allowed to combine different funding sources as long as different costs are financed but in practice it can be troublesome or impossible to implement such a solution – in housing projects many costs are not feasible to properly divide and allocate to particular instruments.

A specific operational constraint deserves attention: the InvestEU Investment Guidelines currently cap direct loans at 50% of project total cost, raised to 70% only for “projects of high policy added value and when it is essential to attract additional private investors”. For social housing, where loans typically account for 70% of CAPEX in new construction and 65% in rehabilitation, this 50% ceiling effectively excludes the bulk of the sector from direct InvestEU support. The cap should be raised — to at least 70% — for qualifying affordable housing operations, recognising the structural reliance of the sector on long-term debt financing.

## Services of General Economic Interest (SGEI) — Exemption Decision 2025/2630/EU

EAPB welcomes the new SGEI decision, which for the first time allows affordable housing (in addition to social housing) to be supported in accordance with EU law without fixed upper limits, reduces reporting obligations and relaxes the control of overcompensation. However, the transitional provision under which most existing entrustment acts can only serve as a legal basis for SGEI under State aid law until 8 January 2028 creates an immediate need for adaptation within two years, in parallel with the MFF 2028–2034 negotiations. EAPB proposes that the Commission actively supports the transition process, notably through model entrustment acts for the housing sector and a structured exchange of experiences with regional funding institutions.

EAPB also encourages the Commission to issue practical implementation guidelines addressing the more complex and legally uncertain aspects of the SGEI framework. Priority topics should include: the combination of different SGEI instruments to finance the same project (including how to define entrustment periods and how to cumulate gross grant equivalents with direct grants); and the longstanding mismatch between entrustment periods

of up to 50 years and the swap rates published by the Commission as the basis for calculating reasonable profit on an investor's own contribution, which currently extend to only 10 years.

### **General Block Exemption Regulation (GBER)**

We also believe the enabling regulation should be extended to address the housing crisis. This requires creation of a new GBER article for affordable rental housing, allowing investment aid to be granted without prior notification. This would directly target a significant market gap, enable faster and simpler support measures and give regions the flexibility to respond to acute local housing shortages. Clear affordability criteria could ensure full compatibility with the internal market and prevent overcompensation. Such a provision would not only address one of the most pressing social issues across Member States but also reinforce cohesion policy by empowering local actors to respond to their specific needs. Introducing a dedicated category for affordable rental housing would therefore strengthen both the social and cohesion dimensions of state aid policy, while remaining fully consistent with the rationale of block exemptions.

## **Cluster 5 — Mobilising private capital: a Social Investment Framework**

### **A voluntary EU Social Investment Framework**

EAPB welcomes the Commission's commitment in the European Affordable Housing Plan to study a voluntary EU Social Investment Framework. Housing investment combines long maturities, low returns and high social impact, a profile that the EU sustainable finance framework has so far accommodated only on the environmental side, leaving a significant share of socially-minded institutional and retail capital without the orientation it needs to flow into housing at scale. The High-Level Task Force on Investing in Social Infrastructure in Europe estimated a minimum social infrastructure investment gap of EUR 100–150 billion per year and a cumulative gap of over EUR 1.5 trillion by 2030, with affordable housing as one of the largest components.

EAPB's positioning on the design of such a framework is set out in the joint paper *“Europe Needs to Mobilise Capital for Social Investments”* (Brussels, October 2024), co-signed with a broad group of European public, ethical and social finance institutions. The framework should also build on the work of the EU Platform on Sustainable Finance (2020–2022), the existing classification of the InvestEU social investments and skills window, and the Social Bond Principles and Social Loan Principles of ICMA, which already provide a globally recognised reference for affordable housing as a social-investment category.

EAPB calls for the future Social Investment Framework to be voluntary and non-legislative, taking the form of a Commission communication or recommendation; lean and intuitive, minimising additional reporting burden by referencing existing standards (CSRD/ESRS, SFDR, CSDDD) and reusing data already disclosed under those frameworks; interoperable with the EU Taxonomy, SFDR, CSRD/ESRS and the EPBD, so that a project compliant under one framework is not penalised under another; and designed through a broadly diversified

stakeholder group reflecting the operational realities of issuers, investors and final beneficiaries.

From an NPBI perspective, three points are particularly important. First, the framework should adopt a broad and operational definition of affordable housing that reflects national diversity, recognising tenure-neutral, cost-based and target-group-based approaches alongside one another, with accessibility and affordability at the centre of the eligibility test, in line with the Social Bond Principles. Second, NPBI lending and guarantee instruments should be explicitly recognised as eligible channels for social investment, given their public-policy mandate and their role as the principal originators of affordable housing finance in Europe; for sub-sovereigns and municipalities operating under EU Member State legal frameworks, compliance with minimum safeguards should be assumed at entity level rather than re-tested at activity level, in line with the EU Sustainable Finance Platform’s 2022 report on minimum safeguards. Third, the framework should include a dedicated treatment for renovation and energy retrofits of the existing affordable housing stock, which represents the bulk of the investment need and sits at the intersection of the social and the green transitions.

A well-calibrated Social Investment Framework would lower the cost of capital for affordable housing, unlock institutional and retail demand currently constrained by the absence of clear social-investment criteria, and amplify the impact of the public resources mobilised under the ECF InvestEU Instrument and the EU Facility. It is the natural complement, on the demand side, to the supply-side measures set out in Part I of this Paper.

**Synoptic table: Housing simplification asks at a glance**

The table below summarises the EAPB asks set out in Part II for ease of reference. The full rationale and legal references are contained in the EAPB input to the Commission’s Annex on Housing Simplification.

Legal instrument	Issue identified	EAPB ask
EPBD	Heritage rules block energy renovation; serial and industrialised renovation not recognised; “efficiency-first” principle drives up costs without proportionate climate gains.	EU-level guidance on heritage vs. energy renovation; recognition of serial renovation as a compliance pathway, dedicated subsidies to cover elevated renovation costs; shift to cost-efficiency and CO <sub>2</sub> reduction; abandon the 10% additional primary energy requirement for ZEBs.
CPR	Fragmentation of building codes destroys economies of scale for prefab; “worst-case approach” for	Accelerated standardisation for prefab modules; mutual recognition mechanisms; single compliance

Legal instrument	Issue identified	EAPB ask
	environmental declarations is disproportionate for SMEs.	pathway analogous to the Digital Building Logbook under the EPBD.
<b>EU Taxonomy</b>	Public-sector and general-purpose financing not recognised; misalignment with the EPBD; proposed Technical Screening Criteria (EAs 7.1, 7.2, 7.7) not operationally feasible. No harmonised EU-level thresholds for adaptation DNSH; acquisition-improvement energy-reduction criterion infeasible; Overseas Territories not handled.	Extend usage to public sector spending beyond use of proceeds; align Taxonomy and EPBD on worst-performing buildings; substantially simplify DNSH; reconsider the proposed thresholds for EAs 7.1, 7.2 and 7.7. Harmonise adaptation DNSH thresholds, horizontal guidelines and methods at EU level; relax the acquisition-improvement energy-consumption criterion; introduce geographical differentiation for Overseas Territories.
<b>Public Procurement Directives</b>	Subdivision into separate lots and rigid procedural rules delay affordable housing delivery; innovation partnership procedure too cumbersome; life-cycle costing under MEAT not clearly assessed.	Extend the lots-subdivision exemption to standard contracts and recognise joint planning-and-construction contracts; relax negotiated procedure conditions; extend framework agreement durations; clarify life-cycle costing under the MEAT criterion; flexibilise the innovation partnership procedure.
<b>CRR III</b>	ADC 150% RW with unusable EBA exemption; subordinated promotional loans extending beyond the secured portion treated as unsecured at 150% RW; SyRB constitutes EU gold-plating. Prescriptive valuation rules disproportionate for low-default exposures; AVM use unduly restricted; Art. 208(5) insurance verification and “sustainable value” concept add operational burden without prudential gain.	Amend Article 126a CRR and EBA Guidelines for an automatic 100% RW for qualifying affordable housing; revisit Article 124 CRR for subordinated promotional loans; complete removal of the SyRB. Risk-proportional valuation requirements; recognition of AVM and transaction-based public data as acceptable methodologies; reconsideration of Art. 208(5) and the “sustainable value” concept; downward review of the residential ADC risk weight itself.
<b>Solvency II</b>	Uniform 25% capital charge for all property risk discourages institutional investment in affordable housing.	Differentiated, lower property-risk shock under Article 174 of Delegated Regulation (EU) 2015/35 for qualifying

Legal instrument	Issue identified	EAPB ask
		affordable housing exposures meeting defined public-interest criteria.
<b>ATAD</b>	Article 4 interest limitation rule penalises long-term debt-financed affordable housing providers with low EBITDA, despite the absence of any tax avoidance motive.	Explicit exemption for social and affordable housing providers, or formal Commission clarification that affordable housing qualifies as long-term public infrastructure under Article 4(4)(b) ATAD.
<b>ESA 2010</b>	Classification of housing providers as “general government” pushes their debt onto national accounts and constrains borrowing capacity.	Guidance on ESA 2010 (off) balance-sheet classification, in line with the November 2025 recommendation of the European Affordable Housing Advisory Board; address valuation of tenants’ contributions.
<b>InvestEU</b>	Heavy appraisal and reporting; limited blending with grants; no standardised framework for combining EU and national funding in housing. Investment Guidelines cap direct loans at 50% of project total cost, whereas social housing typically requires 65–70% loan-to-CAPEX ratios.	Streamlined appraisal and reporting; expanded guarantee for housing in current MFF; systematic blending with grants; standardised EU–national combination framework. Clarify double funding, make blending more flexible. Raise the direct-loan cap to at least 70% for qualifying affordable housing operations.
<b>SGEI Decision 2025/2630/EU</b>	Welcome extension to affordable housing, but transitional provision requires adaptation of existing entrustment acts by 8 January 2028, in parallel with MFF 2028–2034 negotiations.	Active Commission support to the transition through model entrustment acts for the housing sector and structured exchange with regional funding institutions; implementation guidelines covering blending SGEI measures and readdressing the swap rates used to calculate reasonable profit
<b>GBER</b>	The above option takes a different approach and is complementary. The GBER deals with the granting of investment aid. The extended SGEI decision is about compensating losses that housing companies must tackle when they do charge rents that are below	new GBER article for affordable rental housing, allowing investment aid to be granted without prior notification.

Legal instrument	Issue identified	EAPB ask
	market prices. The eligible funding instruments include e.g. loans, grants, equity capital and guarantees in the different proposals.	

**About EAPB:** *The European Association of Public Banks (EAPB) gathers member organisations (financial institutions, funding agencies, promotional and public banks, associations of public banks and banks with similar interests) from 17 European Member States and countries, representing directly and indirectly the interests of over 90 financial institutions towards the EU and other European stakeholders. With a combined balance sheet total of about EUR 3.4 trillion and a market share of around 15%, EAPB members constitute an essential part of the European financial sector.*