

Notification template for borrower-based measures

Please send/upload this template to:

- macropru.notifications@ecb.europa.eu when notifying the European Central Bank (ECB);
- [DARWIN/ASTRA](#) when notifying the European Systemic Risk Board (ESRB).

This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure¹.

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. In order to facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

1. Notifying national authority and scope of the notification		
1.1	Name of the notifying authority	Banco de Portugal
1.2	Country of the notifying authority	Portugal
1.3	Type of borrower-based measure	Please select one of the measures listed below: <ul style="list-style-type: none"> <input type="checkbox"/> Debt-service-to-income (DSTI) <input type="checkbox"/> Loan-to-income (LTI) <input type="checkbox"/> Loan-to-value (LTV) <input type="checkbox"/> Debt-to-income (DTI) <input checked="" type="checkbox"/> Loan maturity <input type="checkbox"/> Other (please provide a short, name-like description here and provide more details in Section 2)
1.4	Type of notification	What do you intend to notify? <ul style="list-style-type: none"> <input type="checkbox"/> Activation of a new measure <input checked="" type="checkbox"/> Change to an existing measure <input type="checkbox"/> Extension of an existing measure <input type="checkbox"/> Termination of an existing measure

¹ On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

2. Description of the measure		
2.1	Description of the measure	The maturity limit on new housing loans, currently in 40 years for all borrowers, will be tightened. The maximum maturity of these loans shall be 40 years for borrowers aged 30 or under; 37 years for borrowers aged over 30 and up to and including 35; and 35 years for borrowers aged over 35.
2.2	Definition of the measure	The measure concerns the original maturity of the new agreements for credit relating to residential immovable property or credit secured by a mortgage or equivalent guarantee.
2.3	Legal basis and process of implementation of the measure	The Banco de Portugal is the macroprudential authority in Portugal, according to article 16-A of its Organic Law (law n.º 5/98, 31 January 1998, as amended by Decree-Law No. 118/2001 of 17 April 2001). The mandate for financial stability, which is enshrined in its Statutes, allows the Banco de Portugal to implement Recommendations to the financial sector. The measure is adopted by the Banco de Portugal as a Recommendation, based on the "comply or explain" principle. The credit institutions targeted must respect the limits applied; otherwise they must justify their non-compliance. The Banco de Portugal will assess the adequacy of the justifications presented by the credit institutions.
2.4	Coverage	The Recommendation applies to all credit institutions and financial companies that have head offices or branches in the Portuguese territory.

		Only natural persons.
		Only mortgage loans.
2.5	Calibration	Not applicable.
3. Timing for the measure		
3.1	Timing for the decision	25/01/2022
3.2	Timing for publication	01/02/2022
3.3	Disclosure	<p>The Banco de Portugal conducted several meetings with relevant stakeholders such as Associação Portuguesa de Leasing, Factoring e Renting (ALF), Associação Portuguesa de Bancos (APB), Associação de Instituições de Crédito Especializado (ASFAC) and Associação Portuguesa para a Defesa do Consumidor (DECO), in order to gather complementary information to calibrate this change in the measure. In addition, the National Council of Financial Supervisors, under Article 2 (3) (c) of Decree-Law No 143/2013 of 18 October 2013 was consulted.</p> <p>The amended Recommendation was published on a dedicated webpage in the Banco de Portugal website and will be published in the Official Journal.</p>

3.4	Timing for the application	01/04/2022
3.5	End date (if applicable)	Not applicable.
4. Reason for activation of the measure		
4.1	Description of the macroprudential risk	<p>Credit institutions have broadly complied with the guidelines set out in the macroprudential Recommendation relating to new credit for house purchase and consumer credit. Nevertheless, the average maturity of new loans for house purchase was not converging linear and gradually towards 30 years. Between July 2018 and December 2019 the average maturity of new credit for house purchase declined by around one year. However, between December 2019 and January 2021 there was an increase to 33.7 years. Despite the reduction seen since then, in November 2021 the average maturity (32.7 years) was significantly above the path of convergence towards 30 years. In addition, the average maturity of credit for house purchase in Portugal remains somewhat high compared to other European Union countries. In the group of European Union countries for which information is available, Portugal stands out as an outlier, with an average maturity of around 33 years in 2020 (compared with maturities between 20 and 27 years in the other countries) and an upper limit to maturity of 40 years.</p> <p>The adoption of limits to the original maturity of loans is aimed at: (i) avoiding that limits to the DSTI ratio are circumvented by the extension of the loan maturity; (ii) easing the extension of the maturity and the restructuring of the loan in the event of borrowers' arrears, potentially reducing default; and (iii) reducing the divergence from the average maturity of new credit agreements for house purchase in other European Union countries.</p> <p>Given the strong concentration of new credit for house purchase in longer maturities, the Banco de Portugal considers that the maximum maturity of new business should be reduced to</p>

		contribute to the gradual and linear convergence of the average maturity of new credit agreements for house purchase towards 30 years by the end of 2022.
4.2	Indicators used for activation of the measure	<p>Maturity of new housing loans were drawn from two different sources:</p> <ul style="list-style-type: none"> • The Portuguese Central Credit Register; • Data reported directly by credit institutions.
4.3	Effects of the measure	<p>We expect the measure to contribute to the convergence of the average maturity of new housing loans to 30 years by the end of 2022. With this amendment of the Recommendation, the Banco de Portugal expects that, in the medium term, the changes introduced foster the reduction of borrowers' probability of default, improving the quality of the institutions' credit portfolio. This effect is particularly significant given the borrowers' vulnerability to a potential deterioration in labour market conditions. Nevertheless, the Banco de Portugal, as the macroprudential authority, will continue to monitor compliance with the Recommendation, to prevent potential distortions of competition or actions that may jeopardise the Recommendation's effectiveness. The Banco of Portugal may adopt additional measures to achieve the purpose of convergence of the average maturity of new credit agreements for house purchase towards 30 years, where necessary.</p>
<p>5. Sufficiency, consistency and non-overlap of the policy response</p>		

5.1	Sufficiency of the policy response	<p>This amended aims to guarantee that the macroprudential Recommendation currently in force in Portugal is fully met, particularly in what concerns the convergence of the average maturity of the new housing loans to 30 years until the end of 2022. The Banco de Portugal believes the Recommendation is sufficient to control the risks stemming from the current environment in Portugal. Nevertheless, the Banco de Portugal, as the macroprudential will continue to monitor compliance with the Recommendation, to prevent potential distortions of competition or actions that may jeopardise the Recommendation's effectiveness. The Banco of Portugal may adopt additional measures to achieve the purpose of convergence of the average maturity of new credit agreements for house purchase towards 30 years, if necessary.</p>
5.2	Consistency of application of the policy response	<p>The amended of the macroprudential Recommendation reported aims to guarantee that the macroprudential Recommendation currently in force in Portugal is fully met, particularly in what concerns the convergence of the average maturity of the new housing loans to 30 years until the end of 2022. Thus, the measure is consistent with the initial objectives of the macroprudential Recommendation. The Banco de Portugal expects that, in the medium term, the changes introduced foster the reduction of borrowers' probability of default, improving the quality of the institutions' credit portfolio, and reducing the borrowers' vulnerability to a potential deterioration in labour market conditions.</p>
5.3	Non-overlap of the policy response	<p>There are no other policy instruments targeted to this source of systemic risk, thus there is no overlapping.</p>
<p>6. Cross-border and cross-sector impact of the measure</p>		

6.1	<p>Assessment of cross-border effects and the likely impact on the Internal Market (Recommendation ESRB/2015/2²)</p>	<p>Cross-border effects are not expected.</p> <p>The measure is directly applicable to new loans granted within the Portuguese jurisdiction, irrespective of whether the lender is domestic or foreigner.</p> <p>In addition, loans to resident households granted directly from abroad or loans to non-resident households granted by domestic institutions are residual, limiting the scope for both inward and outward spillovers.</p>
6.2	<p>Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>The scope for leakages and regulatory arbitrage should be minimal given that:</p> <ul style="list-style-type: none"> • The recommendation currently in force covers all providers of new loans within the Portuguese jurisdiction; • The recommendation is applicable to both consumer and mortgage loans, minimising the possibility of circumventing the limits applied to mortgages with consumer loans.
6.3	<p>Request for reciprocation</p>	<p>The Banco de Portugal do not intend to request for reciprocation, given the above-mentioned information in 6.1 and 6.2.</p>

² Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).

6.4	Justification for the request for reciprocation	Not applicable.
7. Miscellaneous		
7.1	Contact person(s)/mailbox at notifying authority	<p>Ana Cristina Leal Head of Financial Stability Department + 351 21 1597083 aleal@bportugal.pt</p> <p>Fátima Silva Head of macroprudential policy division +351 211597024 mfsilva@bportugal.pt</p>
7.2	Any other relevant information	<p>https://www.bportugal.pt/sites/default/files/2022_doclimites_en.pdf https://www.bportugal.pt/en/page/ltv-dsti-and-maturity-limits</p>
7.3	Date of the notification	01/02/2022