

Template for notifying national macroprudential measures not covered by CRR/CRD

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- notifications@esrb.europa.eu when notifying the ESRB;
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1. Notifying national authority and scope of the notification		
1.1	Name of the notifying authority.	Finnish Financial Supervisory Authority, FIN-FSA
1.2	Name of the macroprudential measure that is notified.	Loan-to-collateral (LTC)
2. Description of the measure		
2.1	Description of the measure.	<p>Maximum loan-to-collateral (LTC) ratio, as referred to in chapter 15, section 11 of the Credit Institutions Act. The statutory standard level of the LTC ratio is 90% for residential mortgage loans other than first-home loans. The level may be lowered by 10 % based on a decision by the FIN-FSA Board.</p> <p>With the decision of 19 March 2018, the Board lowered the maximum LTC ratio for residential mortgage loans other than first-home loans by 5 percentage points. On 29 June 2020, The FIN-FSA Board decided that the LTC ratio will be adjusted and brought back to the statutory standard level of 90% in order to promote the functioning of the housing and mortgage market during the stressed situation due to the pandemic.</p> <p>Housing market activity picked up in summer 2020. Since then, house sales and mortgage lending have been more</p>

		<p>lively than in previous years. Finnish house price developments have been moderate but the prices have diverged regionally. At the end of March 2021, the household debt ratio (debt relative to disposable income) reached a record high of 133.6%, 5.1 percentage points higher than a year earlier.</p> <p>As there are no longer cyclical justifications for the relaxation of macroprudential instruments to support the housing market, it is justified to lower the LTC ratio for other than first-home loans to the pre-pandemic level of 85% to curb the increase of household indebtedness.</p>
2.2	Legal basis and process of implementation of the measure.	Chapter 15, section 11 of the Credit Institutions Act
2.3	Coverage	Mortgages to households provided by credit institutions
2.4	Any other relevant information.	-
3. Timing		
3.1	Timing of the decision	28 June 2021
3.2	Timing of the publication	29 June 2021

3.3	Disclosure	<p>Press release:</p> <p>https://www.finanssivalvonta.fi/en/publications-and-press-releases/Press-release/2021/macprudential-decision-housing-loan-cap-for-residential-mortgage-loans-other-than-first-home-loans-to-be-set-at-85/</p>
3.4	Timing of the application	The decision on the tighter loan cap will enter into force on 1 October 2021.
3.5	End date (if applicable)	-
4. Reason for the activation of the measure		
4.1	Description of the macroprudential risk to be addressed.	<p>The level of the maximum loan-to-collateral ratio may be lowered in order to limit any exceptional increase in risks to financial stability relating to:</p> <ul style="list-style-type: none"> • growth in the stock of residential mortgages granted to households (taking also into account other household debt) • a threat of overheating on the housing market or • other developments pertaining to the macro economy that may have an impact on residential mortgage or housing markets. <p>In this case, the tightening of the LTC limit is justified by a rapid recovery and brisk activity in the Finnish housing and mortgage markets combined with a record high and growing household indebtedness.</p>
4.2	Description of the indicators on the basis of which the measure is activated.	<p>The analysis supporting the aforementioned decision is based on the following indicators:</p> <ul style="list-style-type: none"> • developments in residential mortgages and other loans granted by monetary financial institutions to households, developments in repayment periods agreed for new residential mortgages, interest rate margins and interest rate linkages • changes in the ratio of the stock of residential mortgages and other household loans to disposable annual income • changes in the ratio of the stock of residential mortgages and other household loans to GDP

		<ul style="list-style-type: none"> • factors impacting households' debt-servicing ability, such as developments in unemployment and the interest rate level (and the relevant forecasts) • nominal and real house price developments in the country as a whole and particularly in regions of high house prices, changes in the ratio of house prices to wage and salary earnings, and • developments in loan-to-value ratios for new residential mortgages, and indicators for the distribution of such ratios
4.3	Effects of the measure.	The measure is expected to curb the number of the very large housing loans in relation to collateral.
5. Cross-border and cross-sector impact of the measure		
5.1	Assessment of cross-border effects and the likely impact on the internal market (Article 133(11)(d) of the CRD IV and Recommendation ESRB/2015/2)	The measure applies to all domestic and foreign mortgage providing credit institutions in Finland. The market share of mortgage providers other than banks is insignificant taking into account the objective of the measure.
5.2	Assessment of leakages and regulatory arbitrage within the notifying Member State	n.a.
5.3	Request for reciprocation	n.a.
6. Miscellaneous		

6.1	Contact person(s) at notifying authority.	Arttu Kiviniemi, arttu.kiviniemi@finanssivalvonta.fi , +358503075821
6.2	Any other relevant information.	-