

REPORT

September 2019

The Mortgage Market in Sweden



Svenska
Bankföreningen
Swedish Bankers' Association

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Introduction

Mortgages comprise a significant percentage of the loan portfolio in Sweden and are an important component of the household budget for many individuals with home loans. The Mortgage Market in Sweden describes both current and historic mortgage and construction trends. These developments are illustrated using statistics shown in tables and charts.

First, a brief description of general economic trends is given, followed by a discussion of developments in housing construction. This shows that there has been a significant increase in construction in recent years and the number of housing starts has reached the record figures from the beginning of the 1990s, but that construction has now started to slow down. Housing prices have increased for a number of years, but after a drop in housing prices in the autumn of 2017 prices have stabilised at a lower level during 2018 and 2019. At the end of June 2019 the price of single-family homes has, on average, increased by 2.1 percent during the last year and the price of tenant-owned apartments has increased by 1.6 percent.

Residential mortgage lending amounted to SEK 4,299 billion in June 2019. The rate of growth for mortgages was 5.2 percent annually, which is a decrease as compared with the same period last year when the growth rate was 6.6 percent. The rate of lending to single-family homes was 4.6 percent annually in June 2019 compared to 5.4 percent the same time last year. The rate of lending to tenant-owned apartments is higher than for single-family homes and was 6.8 percent annually. The rate of lending to tenant-owned apartments has declined in the last year and was 9.3 percent in June 2018.

Mortgage interest rates have generally declined over the last six years and interest rates are at historically low levels. Household indebtedness is outlined, as are implemented and proposed measures to counteract high indebtedness.

Finally, an overview is provided of the main forms of borrowing for mortgage institutions and of various events related to the mortgage market during the past year.

I. The economic situation in Sweden

The Swedish economy finished strongly in 2018, but during the first quarter of 2019 growth slowed, writes the NIER (National Institute of Economic Research) in The Swedish Economy June 2019. GDP grew by 2.4 percent in 2018. Weak domestic demand contributed to the GDP growth slowdown in 2019 and this, combined with a weak krona, pulled down imports. On the other hand, the weak krona was good for exports. Decreasing housing investments is another factor behind the GDP growth slowdown.

The NIER writes that after a couple of years of increasing housing investments construction is expected to slow down somewhat and level out. The number of housing starts reached 52,000 last year, which is about 12,000 dwellings fewer than in 2017. According to the forecast from the National Board of Housing, construction will decrease further to 46,500 dwellings in 2019.

Different measures have been imposed on housing loans in the past few years, among others a fundamental amortisation rule and an additional rule based on the debt ratio. This has affected the demand for new built dwellings and has contributed to falling prices on parts of the housing market.

Table I. The NIER indicators for the Swedish economy, June 2019, annual percentage change and percent, respectively

	2018	2019	2020	2021
GDP, market price	2.4	1.8	1.4	1.5
Employment	1.8	1.1	0.5	0.5
Unemployment ⁽¹⁾	6.3	6.3	6.4	6.5
Commercial productivity ⁽²⁾	0.1	0.7	0.9	1.1
CPI	2.0	1.9	1.9	2.0
Repo rate ⁽³⁾	-0.5	-0.25	0.0	0.25
Ten-year government bond rate ⁽³⁾	0.7	0.2	0.5	1.0

⁽¹⁾ As percent of labour force. ⁽²⁾ Working-day adjusted. ⁽³⁾ At year-end.

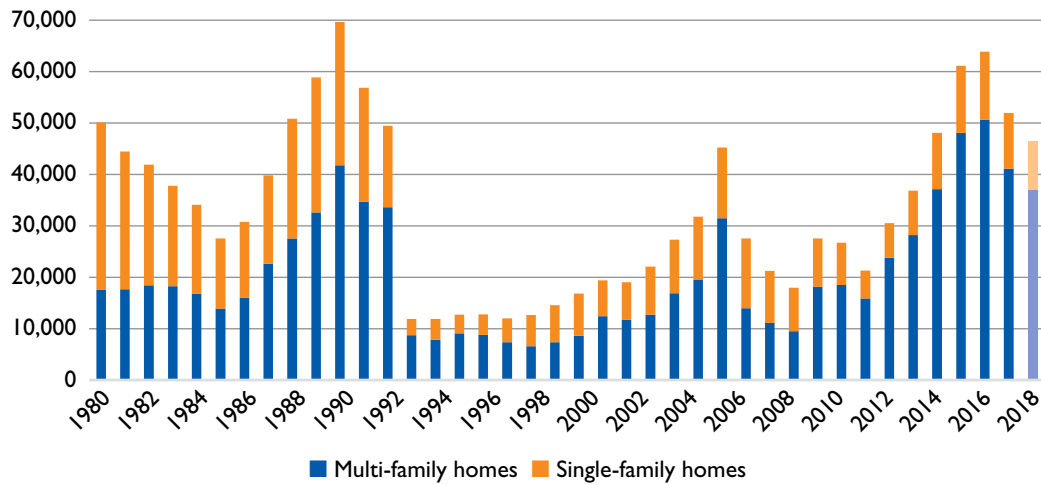
Household real disposable income continues to rise, as does employment. Households have, however, become more pessimistic, especially their view of the Swedish economy. Household consumption is growing slower than normal which, according to NIER, is partly due to stagnating house prices. The forecast for household consumption assumes that housing prices will rise gradually. If they were to fall instead, this would in all probability lead to lower consumption growth.

The NIER estimates that after a relatively strong second quarter, employment growth will drop back in the second half of the year in line with the general economic slowdown. Labour shortages have eased in all industries. After falling for several years, unemployment recently appears to have stopped trending down and therefore unemployment will increase somewhat in the next few years.

2. The housing and construction market

Residential construction has increased for a number of years and peaked with 63,900 housing starts in 2017. The number of housing starts in 2017 was comparably high and has not been higher since 1990. Construction growth thereafter levelled off and the number of housing starts was 52,000 in 2018. The National Board of Housing writes that diminishing demand for new constructed tenant-owned apartments is an important factor behind the slowdown. Also, construction of one-family homes is expected to drop during 2019, while the construction of rental apartments will diminish only marginally. The forecast is based primarily on assessments made by Swedish municipalities in the Board's housing market survey, taking into account, among other things, current trends in prices, sales, building permits and residential construction.

Chart 2.1. Housing starts 1980–2019



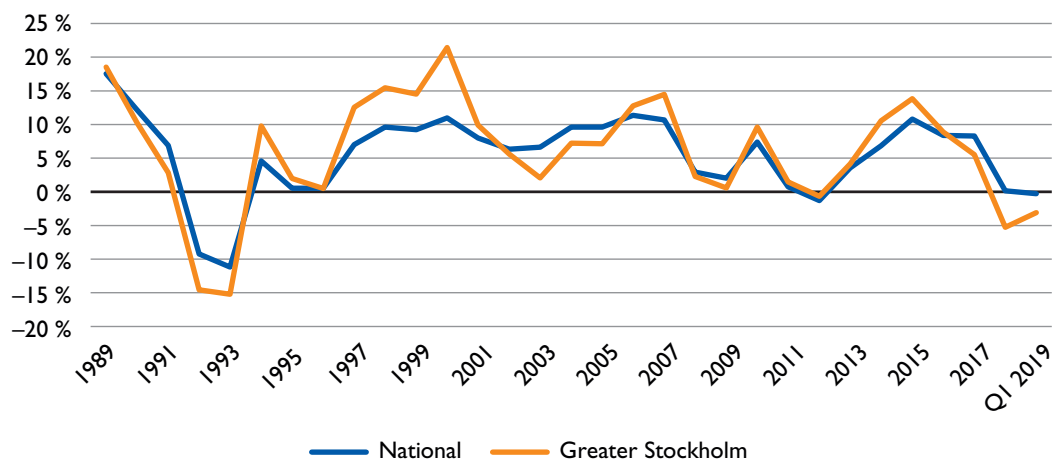
Note: The number of housing starts fell sharply in 2007. This is largely explained by the Government decision in 2006 to abolish general housing subsidies for dwellings (multi-family homes) started after 31 December 2006. This meant that many property developers accelerated the start of construction to begin before the end of 2006 in order to receive subsidies.

Source: Statistics Sweden and 2019 forecast from the National Board of Housing.

A significant percentage of new construction is taking place in metropolitan areas. In 2018 the Stockholm, Gothenburg and Malmö metropolitan areas accounted for 50 percent of housing starts in Sweden. The larger cities have constituted 50 to 60 per percent of new construction in Sweden since the mid-1990s. The change is significant if one goes back to 1990, when 25 percent of housing starts were in the three above mentioned urban areas. Among the larger cities in 2018 there was a drop in the construction figures in Stockholm, unlike in Malmö and Gothenburg, where construction has been unchanged or even increased. In the last few years Stockholm alone accounted for 30 percent of Swedish housing starts, but that share sank to 24 percent in 2018.

Another change in the home construction market is that a larger share of the new construction is multi-family home dwellings. Since 2010 the share of multi-family home dwellings among total housing starts has, on average, amounted to 75 percent. During the 1980s the share of multi-family dwellings amounted to almost 50 percent of new construction and during the 1990s and 2000s to around 60 percent of new construction.

Chart 2.2. Single-family home prices, annual percentage change

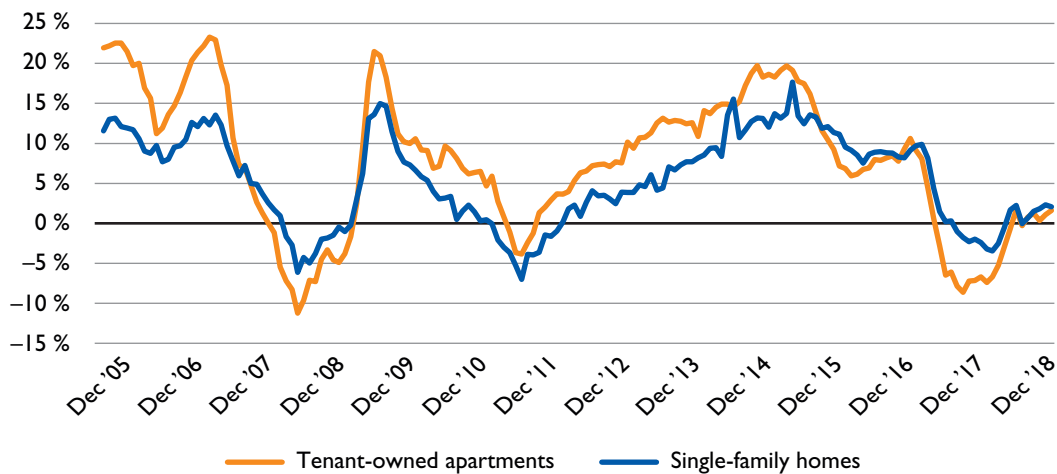


Source: Statistics Sweden.

At the end of 2017 prices for single-family homes stopped increasing and in the Stockholm region prices even started to fall. In 2018 single-family home prices were in general unchanged nationally and decreased by 5.2 percent in Stockholm. During the first quarter of 2019 the price changes were small nationally, while prices for single-family homes in Stockholm diminished further by 3.1 percent annually.

There has been a significant difference in price trends for single-family homes and tenant-owned apartments for several years. The HOX-index (Valueguard / KTH) shows price trends for both single-family homes and tenant-owned apartments (see chart 2.3). For several years the prices for tenant-owned apartments have risen more than for single-family homes according to the HOX-index. In autumn 2017 the price for tenant-owned apartments fell by almost –10 percent on an annual basis but has thereafter stabilised at a lower level. In June 2019 the prices for tenant-owned apartments increased slightly by 1.6 percent on an annual basis and single-family homes increased by 2.1 percent. According to the HOX-index, prices have fallen most in Stockholm. This development has stabilised and in June 2019 the prices for tenant-owned apartments in Stockholm increased by 1.7 percent and single-family homes increased by 0.7 percent.

Chart 2.3. Housing prices, annual percentage change, quarterly values

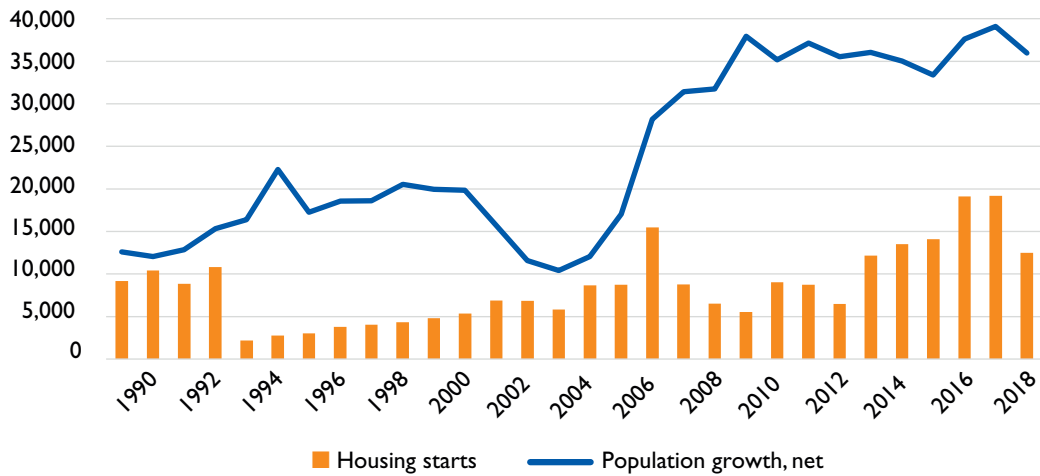


Source: HOX-index / Valueguard.

Unlike in many other European countries, housing prices in Sweden did not fall in the wake of the financial crisis but instead continued increasing until the end of 2017. There are a number of reasons for the price increases, which could be derived from both a low supply and increasing demand. Demand has increased as a result of several factors, including relatively favourable economic growth in Sweden, increasing household incomes, low interest rates, good access to credit, changed tax rules, an increasing population and rapid urbanisation.

On the supply side, the limited housing construction relative to population growth, especially in urban areas, has been a fundamental explanation for the rise in prices. One example is Stockholm County, where the annual net increase in population has been 35,000 on average in the last 13 years. The number of housing starts has not, however, corresponded to the significant increase in population. Between 2007 and 2012, only between 5,000 and 9,000 dwellings were started per year. However, the number of housing starts has risen slightly over the past five years in Stockholm, but fell back in 2018 and amounted to about 12,500 dwellings in 2018 (see chart 2.4).

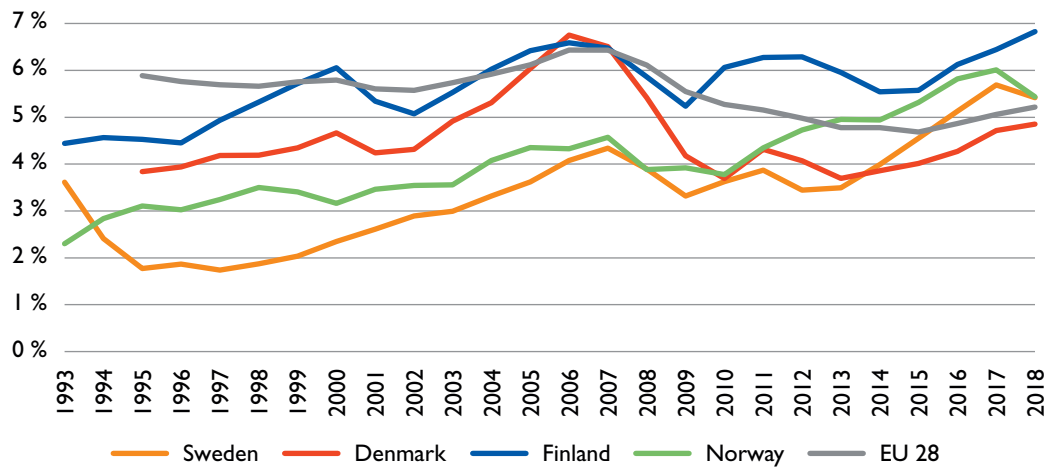
Chart 2.4. Net population growth and housing starts in Stockholm County



Source: Statistics Sweden.

Housing construction fell dramatically after the crisis in Sweden in the 1990s, as illustrated by chart 2.1 earlier in this publication. From the middle of the 1990s until 2014, residential housing investments represented a lower percentage of GDP in Sweden than in other Nordic countries and the EU average (see chart 2.5). Even if Swedish housing investments have decreased as a percentage of GDP in 2018, they have in general increased in the last five years. Swedish housing investments amounted in 2017 to 5.4 percent of GDP, which is slightly higher than the EU average of 5.2 percent. This can be compared with the 2018 figures for Cyprus and Finland, with the highest rate of residential investment in the EU at 7.1 and 6.8 percent of GDP, and with Greece, with the lowest rate at 0.7 percent of GDP.

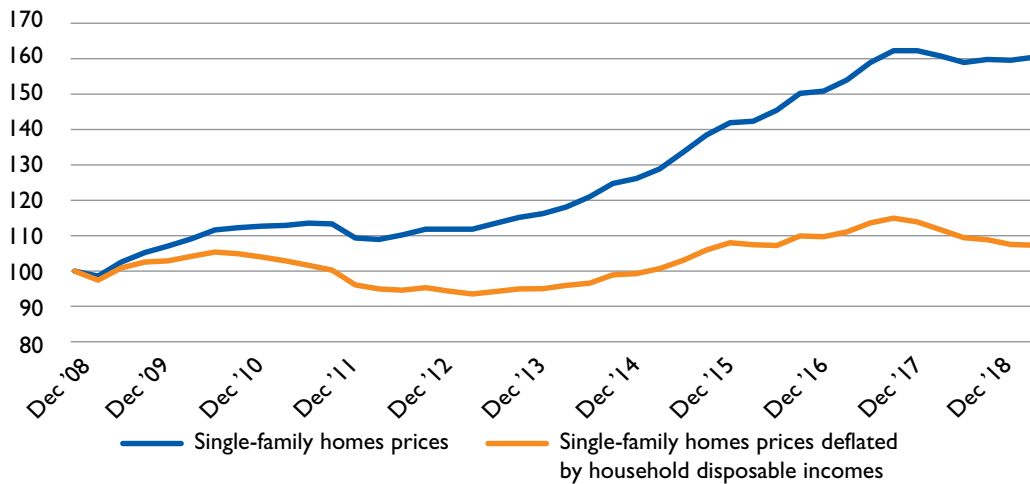
Chart 2.5. Residential housing investments as percentage of GDP



Source: Eurostat.

The increasing income of Swedish households is a further explanation for increasing housing prices over a number of years. Single-family home prices have increased by almost 60 percent in the last decade, from December 2008 to the first quarter of 2019. The price increase for single-family homes and the corresponding price increase deflated by Swedish households' net disposable incomes is illustrated in chart 2.6 below. When household disposable income is considered, the single-family home prices have instead increased by 7 percent in the last ten years.

Chart 2.6. Single-family home nominal prices and single-family home prices deflated by household net disposable incomes, index 100=2008



Source: Statistics Sweden.

The Swedish market is characterised by a number of conditions that reduce the risk of declining prices and more widespread problems on the mortgage market. One factor is that banks' lending processes are stringent and governed by well-functioning legislation. Banks have long based their credit decisions on the borrower's repayment capacity rather than the value of the collateral. There is also an efficient infrastructure in the form of, for example, a property register and good access to credit information about borrowers. The welfare system is another significant factor, since households can maintain an acceptable financial position even in the event of unemployment or illness.

The Swedish market is also characterised by very limited speculation. Most Swedes regard their homes primarily as a residence and not as an investment opportunity.

3. Competition on the mortgage market

Property lending in Sweden is, to a great extent, offered by specialised housing finance institutions (mortgage institutions), but is also offered by banks. As of June 2019, total lending in Sweden secured by housing was SEK 4,299 billion. Mortgage deeds serve as the primary security for home loans from banks and housing finance institutions.

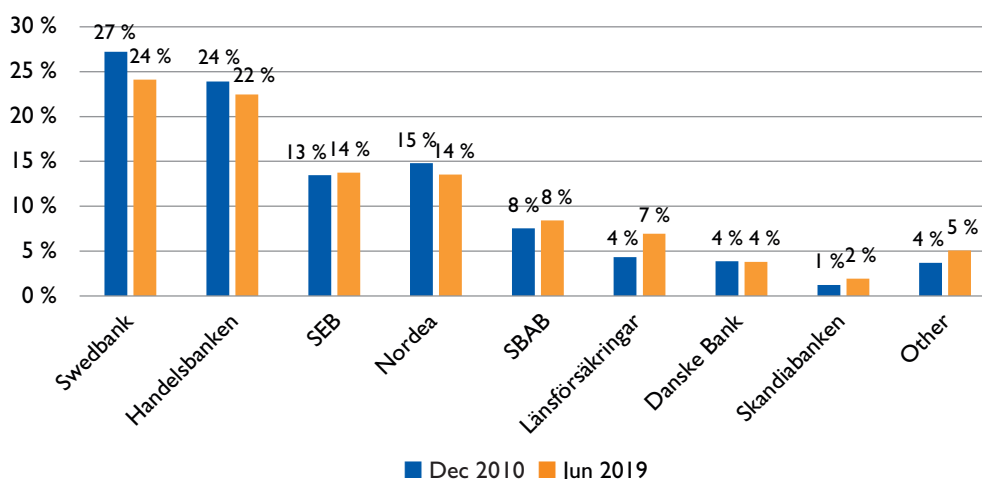
The three largest housing finance institutions are owned by Swedbank (Swedbank Hypotek), Handelsbanken (Stadshypotek) and the now Finnish bank Nordea (Nordea Hypotek). SEB has no separate housing finance institution and residential lending is offered directly by the bank. SBAB Bank was originally a state-owned mortgage institution which was reorganised into a bank in 2010, still fully owned by the state. Home loans are also offered by Länsförsäkringar Hypotek and by Danske Bank and Skandiabanken, both of which are banks. In some cases the smaller institutions may be significant participants on the mortgage market by virtue of relatively large market shares with respect to new mortgages.

In recent years a number of mortgage credit companies have established themselves on the market. One example is Stabelo, which cooperates with Avanza Bank. Another example is Hypoteket. Mortgage credit companies may conduct mortgage lending without having a formal

banking licence and without being subject to the requirements on banks. The new companies grant mortgages by which they create and manage investment products on behalf of institutional investors. The lending of mortgage credit companies has so far been small in relation to the total outstanding housing loans.

Market share in June 2019 compared with December 2010 for total lending to Swedish households secured on housing is illustrated in chart 3.1. The group "Other" includes, among others, savings banks and other institutions.

Chart 3.1. Lending secured on housing, Swedish households, December 2010 and June 2019



Source: Statistics Sweden.

4. Residential mortgage lending

According to Statistics Sweden's Financial Market Statistics, total lending secured on single-family homes, tenant-owned apartments and apartment buildings amounted to SEK 4,299 billion at the end of June 2019. Three years ago, in June 2016, the corresponding figure was SEK 3,582 billion. Lending has thus increased by SEK 717 billion, or 20 percent, in three years.

Table 4.1. Total lending secured on single-family homes, tenant-owned apartments and multi-family homes, SEK billion, June 2019

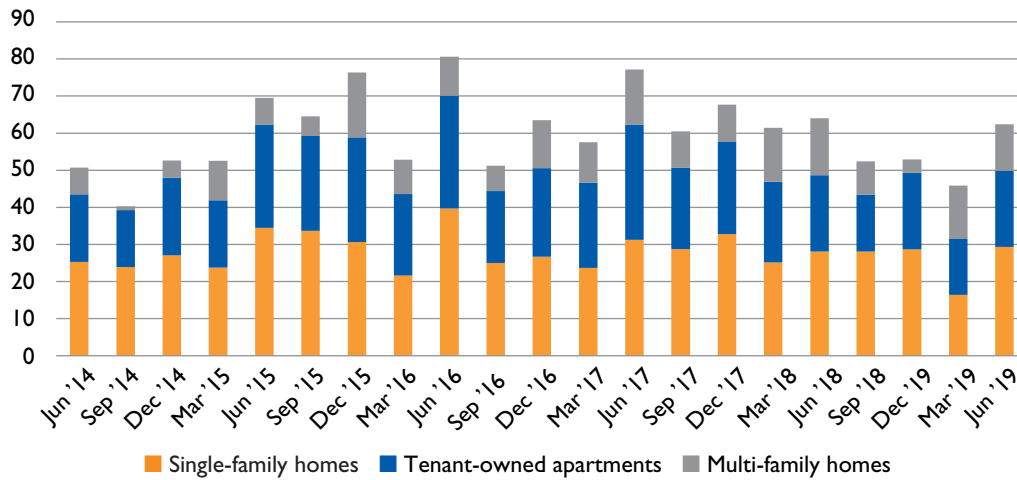
	Single-family homes	Tenant-owned apartments	Multi-family homes	Total
Households	2,247	1,116	56	3,419
Companies	88	7	785	880
Total	2,335	1,123	841	4,299

Source: Statistics Sweden.

Chart 4.1 illustrates the quarterly growth in net lending (new lending less amortisation) for housing, broken down into single-family homes, tenant-owned apartments and multi-family buildings. The chart shows that net lending quarterly was relatively high between the years 2015 and 2017, when net lending was between SEK 50 to 80 billion. In 2018 the quarterly net housing loan growth decreased to between SEK 50 to 65 billion. The decreasing mortgage loan growth has continued in 2019 when net growth was lower than SEK 50 billion in the first quarter, the lowest quarterly figure since 2014.

The rate of lending to single-family homes was 4.6 percent in June 2019 (see chart 4.2). The rate of lending to tenant-owned apartments is higher than for single-family homes and was 6.8 percent annually. The rate of growth in the Swedish home loan portfolio increased gradually for a couple of years until the middle of 2016, when the rate of growth for housing loans was almost 9 percent annually. The home loan growth rate has thereafter levelled off, which coincided with the introduction by the Swedish Financial Supervisory Authority of the amortisation rules for new housing loans, see part 5, which is an important explanation for the slower growth rate.

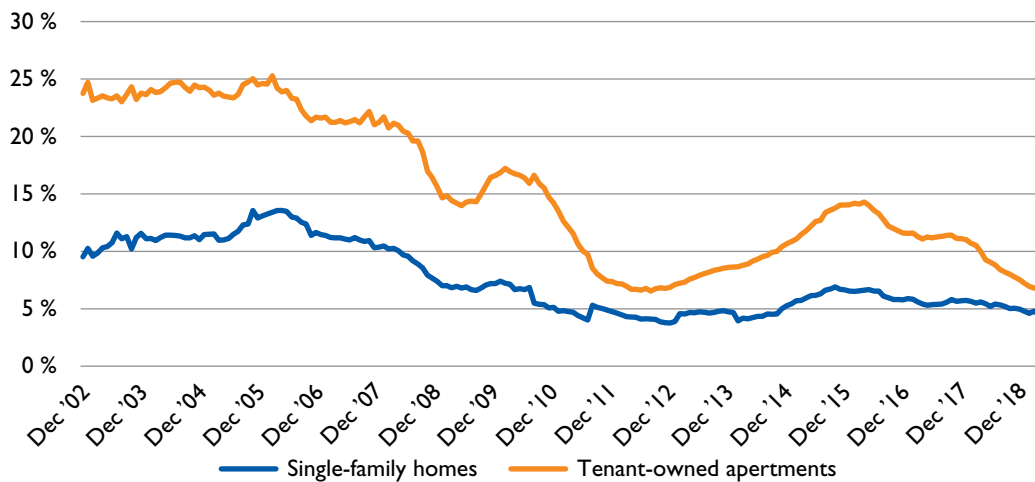
Chart 4.1. Quarterly change (net increase) in lending secured on single-family homes, tenant-owned apartments and multi-family homes, SEK billion



Source: Statistics Sweden.

The growth rate for loans secured on single-family homes is in general slower and more stable than for tenant-owned apartments. In the last ten years the growth rate for single-family home loans has varied between 4 and 7 percent, while the growth rate for tenant-owned apartments loans has fluctuated between 7 and 17 percent during the same time period.

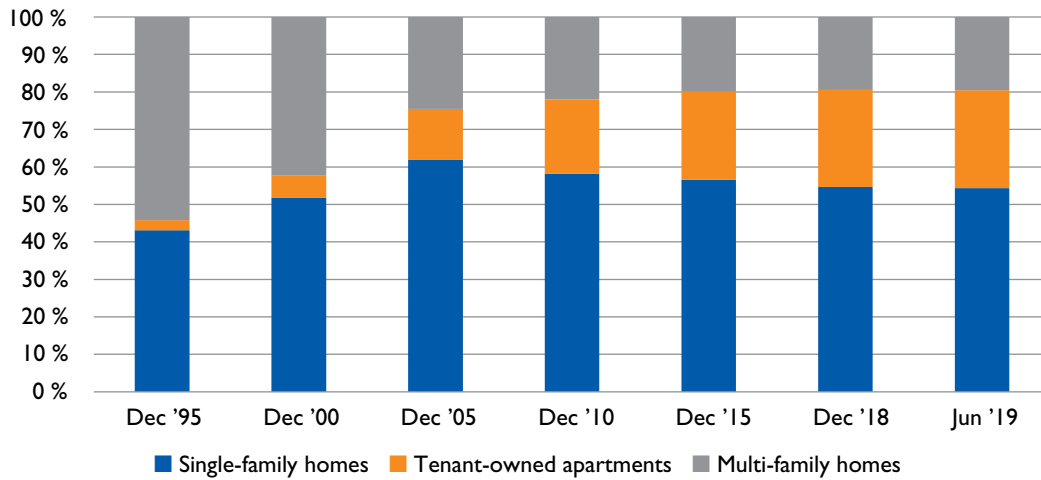
Chart 4.2. The home loan portfolio, annual percentage change, monthly values



Source: Statistics Sweden.

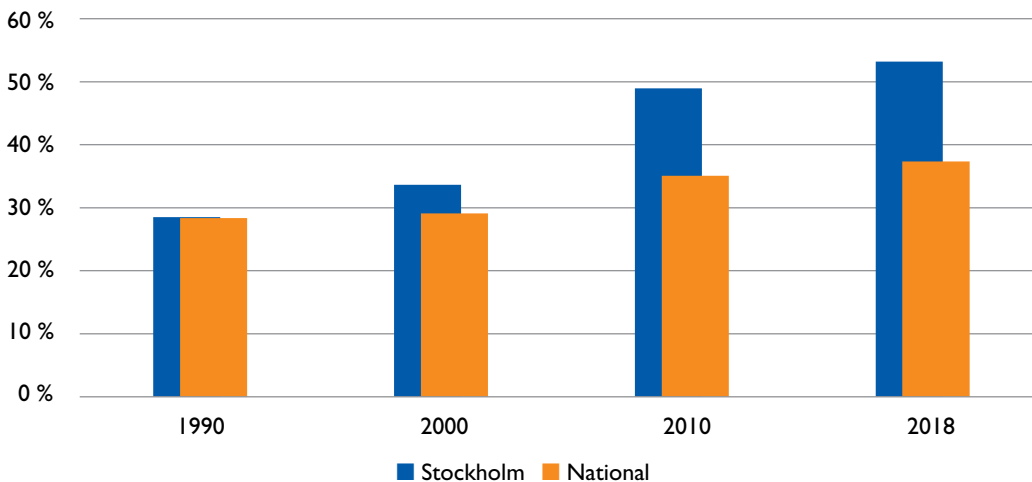
The rate of increase for tenant-owned apartments has, for a number of years, been higher than for single-family homes. A couple of reasons for this are the conversion of rental apartments into tenant-owned apartments, primarily in the metropolitan regions, and that more tenant-owned apartments than single-family homes have been constructed during the last years. Additionally, prices have increased more for tenant-owned apartments than for single-family homes. Chart 4.3 illustrates how the percentage of home loans secured by tenant-owned apartments has increased since 1995.

One reason why lending secured on tenant-owned apartments has been higher than for single-family homes is, as mentioned above, the conversion of rental apartments into tenant-owned apartments. In addition, in the past ten years, slightly more than 50 percent of newly constructed multi-family homes have been intended for tenant-owned apartments. Chart 4.4 illustrates the change, from 1990 until 2018, in the percentage of tenant-owned apartments as a component of the multi-family housing stock. Between 1990 and 2000, the percentage of tenant-owned apartments in the multi-family housing stock increased from 28 percent to 30 percent. Between 2000 and 2010, the percentage of tenant-owned apartments continued to increase to 35 percent. The growth rate since then has been slower and in 2018, the percentage of tenant-owned apartments was 37 percent.

Chart 4.3. Outstanding mortgage loan portfolio broken down by type of security

Source: Statistics Sweden.

In Stockholm, the percentage of tenant-owned apartments is higher and in 2018, the percentage of tenant-owned apartments in the multi-family housing stock in Stockholm was 53 percent. In the 1990s the share of tenant-owned apartments in the multi-family housing stock was largely the same in Stockholm and nationally. The share of tenant-owned apartments in Stockholm increased much faster in the 2000s than in many other places in the country, from 34 percent in 2000 to 49 percent in 2010.

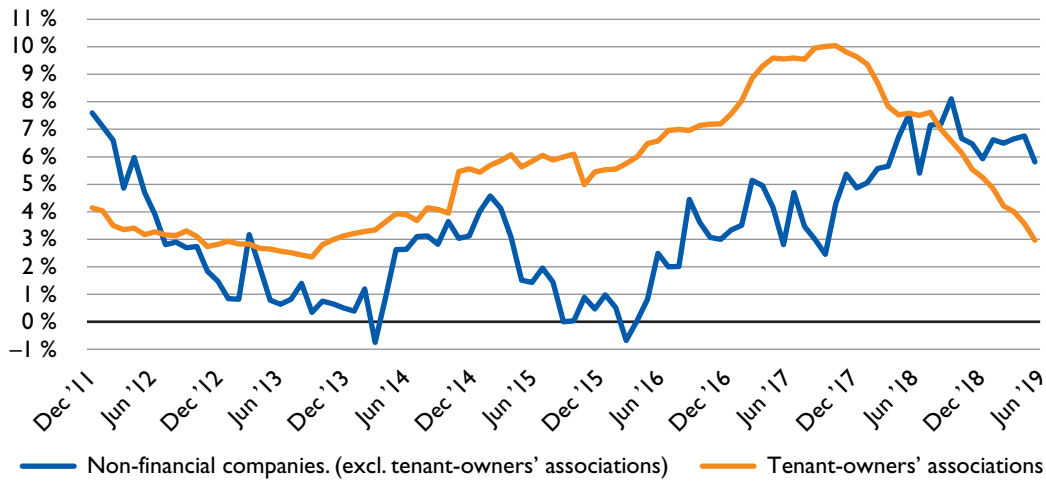
Chart 4.4. Share of tenant-owned apartments in multi-family homes

Source: Statistics Sweden.

The properties in which tenant-owned apartments are located are formally owned by tenant-owners' associations. A resident in a tenant-owned apartment is entitled to live in one of the tenant-owners' associations' apartments. Since the tenant-owners' association owns the property, any loans secured on the property are the debt of the tenant-owners' association. Tenant-owners' associations are thus significant borrowers in Sweden and, in June 2019, loans to tenant-owners' associations amounted to SEK 488 billion (secured on the property and all other loans). In comparison, household loans secured on tenant-owned apartments amounted to SEK 1,116 billion.

For statistical purposes, a tenant-owners' association is counted as a non-financial company and the aggregated loans of tenant-owners' associations represent 20 percent of outstanding loans taken out by non-financial companies. The rate of lending to tenant-owners' associations has risen for a number of years until the end of 2017. Since then the lending rate has decreased somewhat and in June 2019 the growth rate of loans to tenant-owners' associations amounted to 3.0 percent annually. The lending rate for loans to non-financial companies (excluding tenant owners' associations) has, on the contrary, continued to increase since 2017 and amounted to 5.8 percent in June 2019 (see chart 4.5).

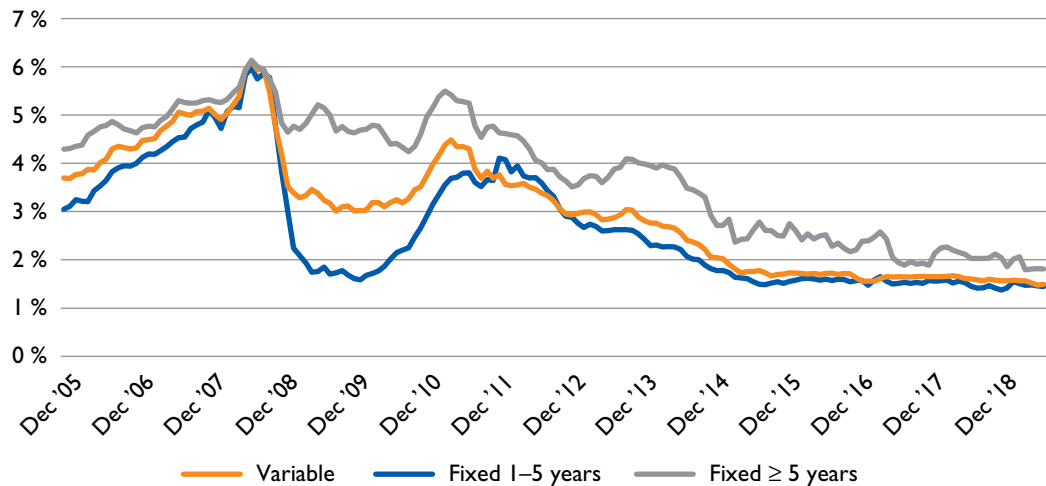
Chart 4.5. Lending to non-financial companies and tenant-owners' associations, annual percentage change, monthly values



Source: Statistics Sweden.

From 2012 and until June 2019, both the variable and initial fixed housing interest rates declined (see chart 4.6). The initial fixed rates have dropped to the lowest levels since at least 1985. Variable interest rates are also at historically low levels. From mid-2015 the mortgage interest rates and especially the variable mortgage interest rates and initial fixed 1 to 5 years rates have levelled out. Variable interest rates increased in the beginning of 2019 when the Riksbank increased the Reporate, but has thereafter declined somewhat again. The low interest rates are, according to most observers, an important factor behind the relatively high lending rate for several years.

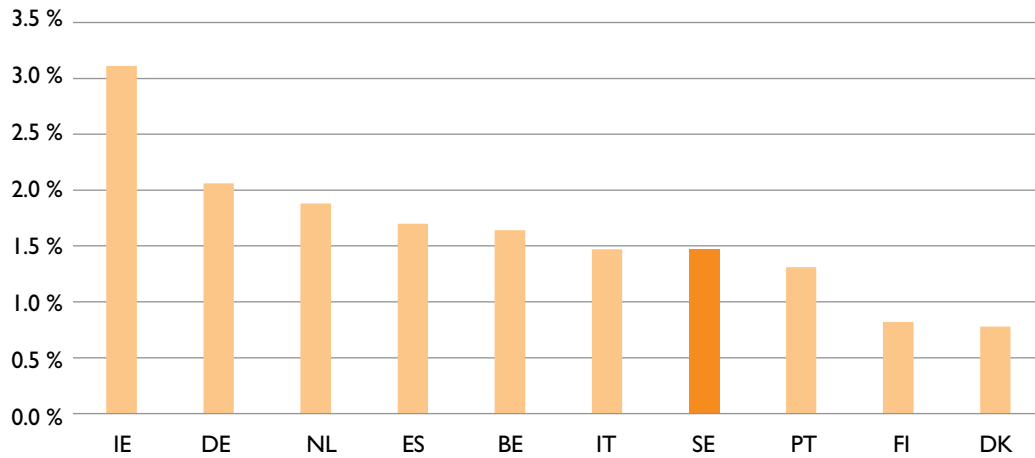
Chart 4.6. Lending rates to households for housing loans, new loans. December 2005 – June 2019, broken down by interest term



Source: Statistics Sweden.

As well as Swedish mortgage interest rates, European mortgage interest rates have decreased. Variable mortgage interest rates in Sweden are amongst the lowest in Europe. Denmark and Finland have the lowest variable interest rates in Europe (see chart 4.7).

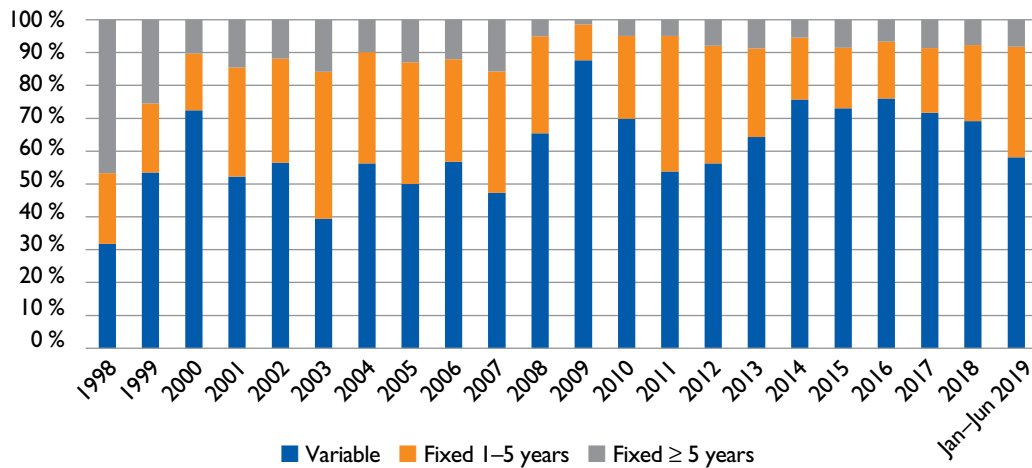
Chart 4.7. Variable mortgage interest rates (variable and initial fixed period rate up to 1 year), first quarter of 2019, percent



Source: European Mortgage Federation.

During the period from January to June 2019, 58 percent of new home loans taken out by households had variable interest rates (see chart 4.8). Increasing variable interest rates following the Riksbank decision to increase the Reporate in December 2018 was probably a contributing factor to the declining share of new housing loans with variable interest rates during 2019. In the last five years the share of variable interest rates has been between 70-75 percent among new housing loans. The share of initial fixed period rates has instead increased considerably during 2019, a process that started at the end of 2018 when there was a greater expectation that future interest rates would increase.

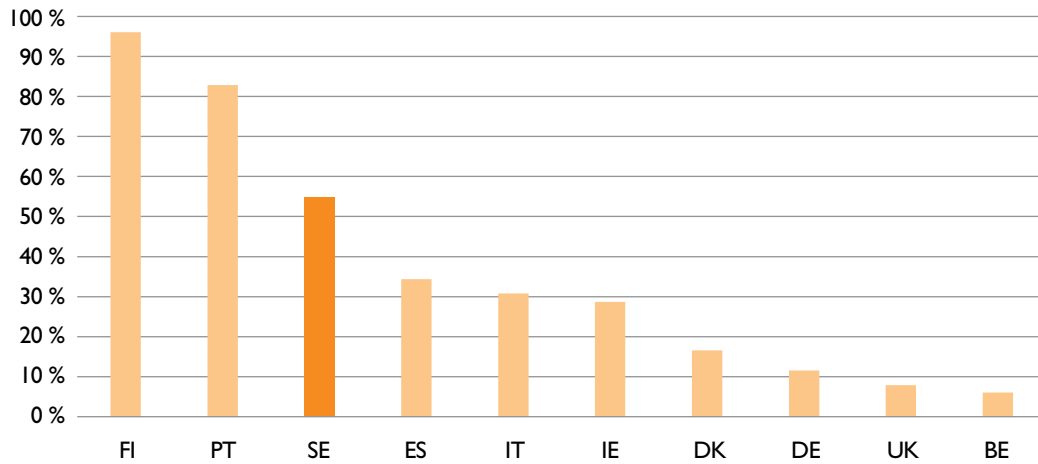
Chart 4.8. New loans to households, housing finance institutions, percentage breakdown by interest term



Source: Statistics Sweden.

The share of variable interest rates among new housing loans to households is higher in Sweden than in many other comparable European countries. Chart 4.9 illustrates the share of variable interest rates among new housing loans in the first quarter of 2019 in a number of European countries. In Finland 96 percent of new housing loans have variable interest rates compared to Sweden, where 55 percent of new housing loans have variable interest rates. In Belgium, for example, housing loans with variable interest rates are rare.

Chart 4.9. New housing loans with variable interest rates (fixed up to one year) during the first quarter of 2019



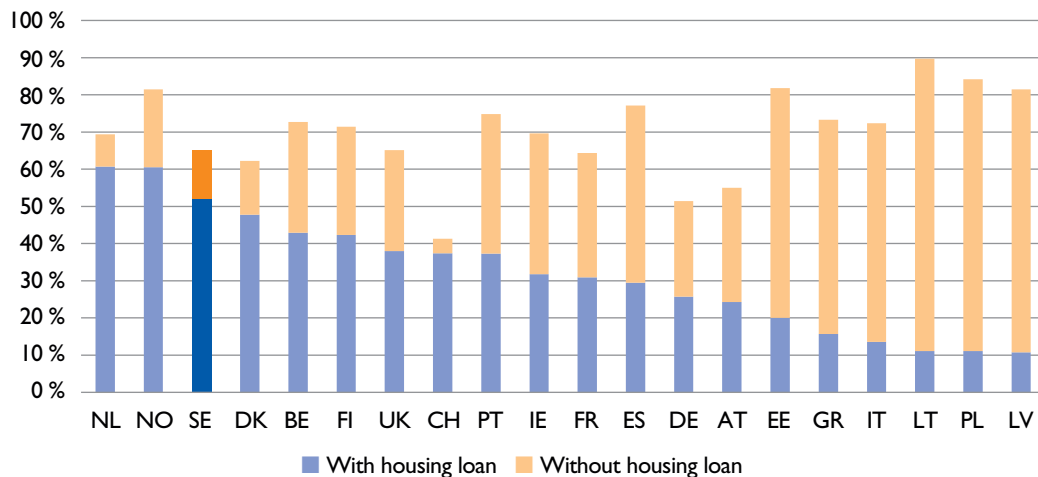
Source: European Mortgage Federation.

5. Household indebtedness

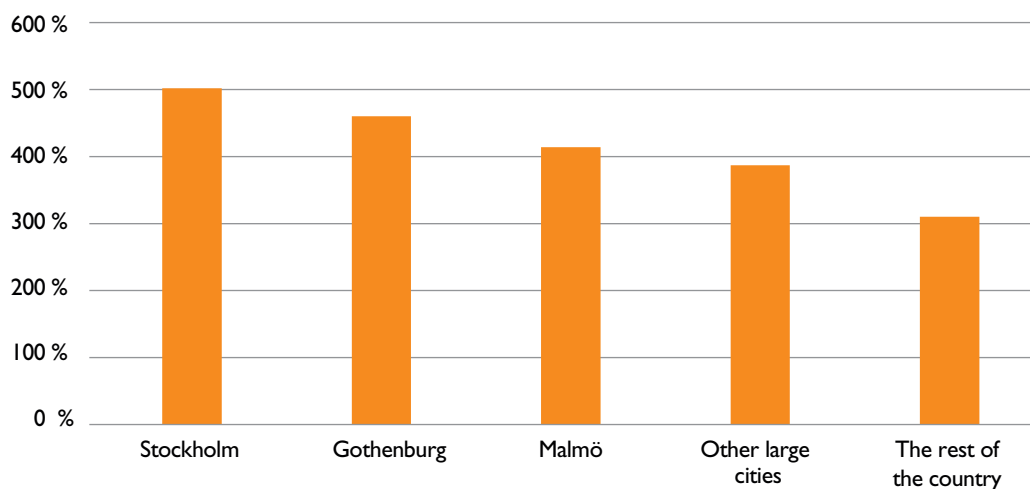
In Sweden, over 65 percent of households own their homes. Of these households, 80 percent have a home loan (see chart 5.1 below). The relatively high percentage of households (who own their own home) with a mortgage is a sign of a mature mortgage market, as well as of a tradition of taking out loans to finance homes. The percentage of home owners (households) with home loans is also relatively high in the other Nordic countries, except for Finland with a slightly lower percentage. A comparably high percentage of households (who own their own home) with home loans is also found in countries like the Netherlands and Switzerland. In Switzerland, however, only slightly more than 40 percent of households own their own homes.

In many emerging markets in Eastern Europe, as well as in Italy and Greece, the percentage of households with home loans is relatively low. This may be due in part to the fact that the mortgage market is relatively new and in part, for example in Italy and Greece, to a tradition of financing housing in other ways. Although the percentage of households with home loans is low in these countries, the percentage of households that own their homes is high and customarily exceeds 70 percent.

Chart 5.1. Share of households who own their home, with or without a housing loan, percent



Source: Eurostat.

Chart 5.2. Debt ratio of households with new home loans, percent of disposable income

Source: Swedish Financial Supervisory Authority.

Swedish household indebtedness has risen continuously since the mid-1990s, both in absolute figures and relative to disposable income. The debt ratio (the loans in relation to disposable income) for Swedish household is, on average, slightly more than 185 percent. This level is relatively high when compared internationally. At the same time, it is important to note that young households and urban households have a debt ratio which is significantly higher than the average. Chart 5.2 shows that the debt ratio for households with new home loans in Stockholm is 502 percent, i.e. their loans correspond to more than five times their annual income after tax.

The debt ratio for new loans has declined somewhat during 2018 due to the new stricter amortisation requirements according to the Swedish Financial Supervisory Authority in its yearly report on the Swedish mortgage market. In the metropolitan areas a higher percentage of new borrowers are affected by the stricter amortisation requirements and the debt ratio decreased the most in Stockholm and Gothenburg. The debt ratio for new borrowers in other areas of the country only changed negligibly.

A number of measures have been taken in recent years for the purpose of counteracting high indebtedness. In 2010 the Swedish Financial Supervisory Authority introduced a mortgage cap, whereby home loans may not exceed 85 percent of the value of the home. The Financial Supervisory Authority has also introduced a risk weight floor for Swedish mortgages in order to tie up more capital in relation to banks' mortgage lending. The risk weight floor for mortgages is currently 25 percent.

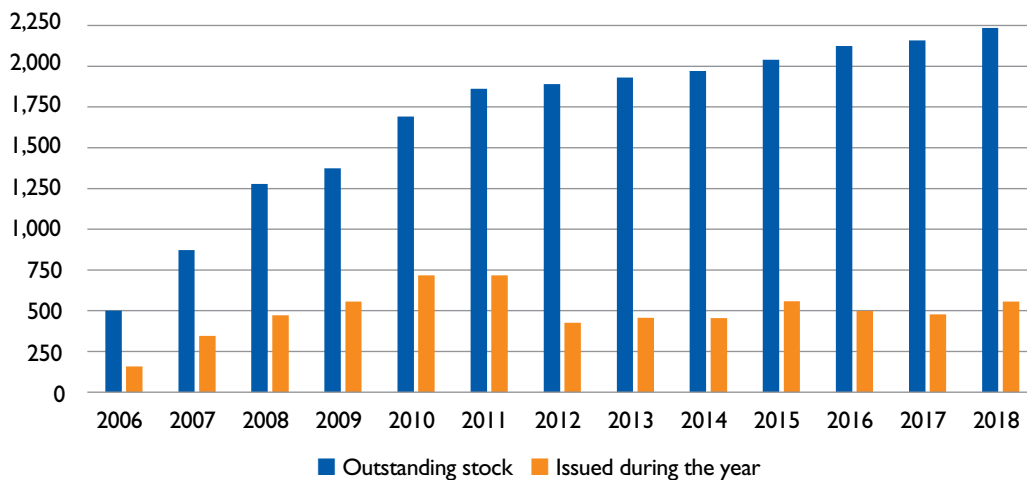
Another measure to tackle high indebtedness is the introduction of amortisation requirements. In June 2016 the Financial Supervisory Authority's regulation on amortisation requirements entered into force. The regulation means that new mortgage loans from June 2016 with a loan-to-value (LTV) above 50 percent should amortise. Mortgages with a LTV above 70 percent must be amortised by at least two percent of the original loan amount each year. Mortgage loans with a LTV ratio between 50 and 70 percent must be amortised by a minimum of one percent annually.

From March 2018 stricter amortisation requirements entered into force. The stricter amortisation requirement implies that new borrowers with a housing loan and whose housing debts exceeds 4.5 times gross income must amortise at least 1 percent additional to the fundamental amortisation requirements.

6. Funding

Currently, the most important funding instrument for all of the important participants on the Swedish mortgage market is the covered bond. Following new legislation which came into force in 2004, former housing bonds have all been converted into covered bonds and all new issues are now covered bonds. Chart 6.1 illustrates the growth of the outstanding stock of covered bonds and the amounts which have been issued. In tandem with the covered bonds, housing finance institutions are funded by borrowing in the form of loans from the parent bank. Loans from the parent bank amounted, on average, to 39 percent of the housing institutions' total balance. On average, only a very small percentage is attributable to other financing, such as certificates.

Chart 6.1. Covered bonds – outstanding and issued during each year, SEK billion



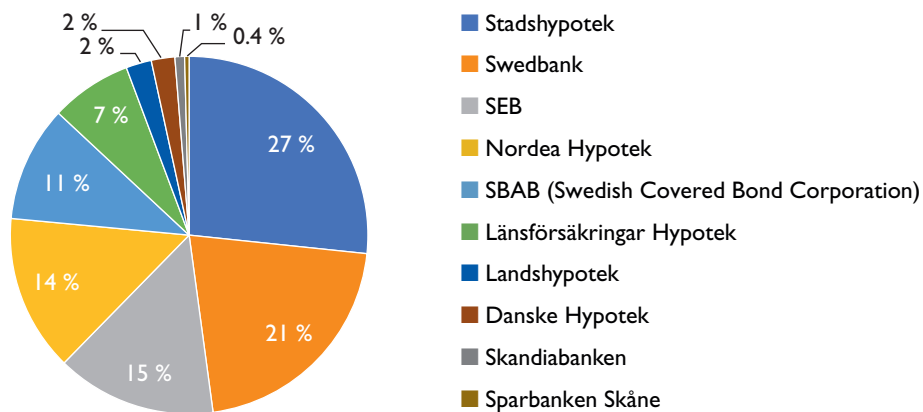
Source: Swedish Bankers' Association.

Since their introduction in 2004, Swedish covered bonds have proven to be a well-functioning form of financing. One important explanation is the high credit quality of the stock of mortgages which constitute collateral for the bonds. Unlike in many other countries, the Swedish market worked well even during the recent financial crisis. Almost 40 percent of the Swedish banks' covered bonds are owned by foreign investors. In addition, around 25 percent of Swedish covered bonds are held by Swedish insurance companies, which thereby fulfil an important function on the mortgage market.

During 2006, three institutions issued covered bonds and converted the previous mortgage bonds into covered bonds. These institutions were Nordea, SBAB and Stadshypotek. During 2007 there were three additional institutions, namely Landshypotek, Länsförsäkringar Hypotek and SEB. In 2008 Swedbank Hypotek began to convert housing bonds to covered bonds and Skandiabanken followed in 2013. Most recently, during 2018, Danske Hypotek and Sparbanken Skåne have started issuing covered bonds. Chart 6.2 shows how the outstanding stock is allocated among these institutions at the end of 2018.

In recent years a number of new institutions, mortgage credit companies, have established themselves on the Swedish market. Stabelo and Hypoteket are a couple of examples mentioned in chapter 3. The new companies fund themselves with their mortgages by which they create and manage investment products on behalf of institutional investors.

Chart 6.2. Covered bonds – outstanding stock per institution on 31 December 2018



Source: Swedish Bankers' Association.

7. Other events in 2018–2019

The Swedish Financial Supervisory Authority's Mortgage Survey

During the autumn of 2018 the Swedish Financial Supervisory Authority completed the now annual mortgage survey among Swedish banks and housing financing institutions. The purpose of the study is to analyse the situation on the mortgage market and the risks entailed in household indebtedness.

In its study, the Financial Supervisory Authority noted that the households' loan-to-value (LTV) ratio for new loans has increased somewhat the last year, after decreasing for several years. One explanation is that housing prices have decreased more than the size of the new loans. The loan-to-value ratio amounted to 65 percent in 2018.

The debt-to-income ratio has simultaneously decreased during 2018 following the new stricter amortisation requirements which entered into force in March 2018. The stricter amortisation requirements have resulted in the increasing amortisations of the last few years further increasing in 2018.



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