

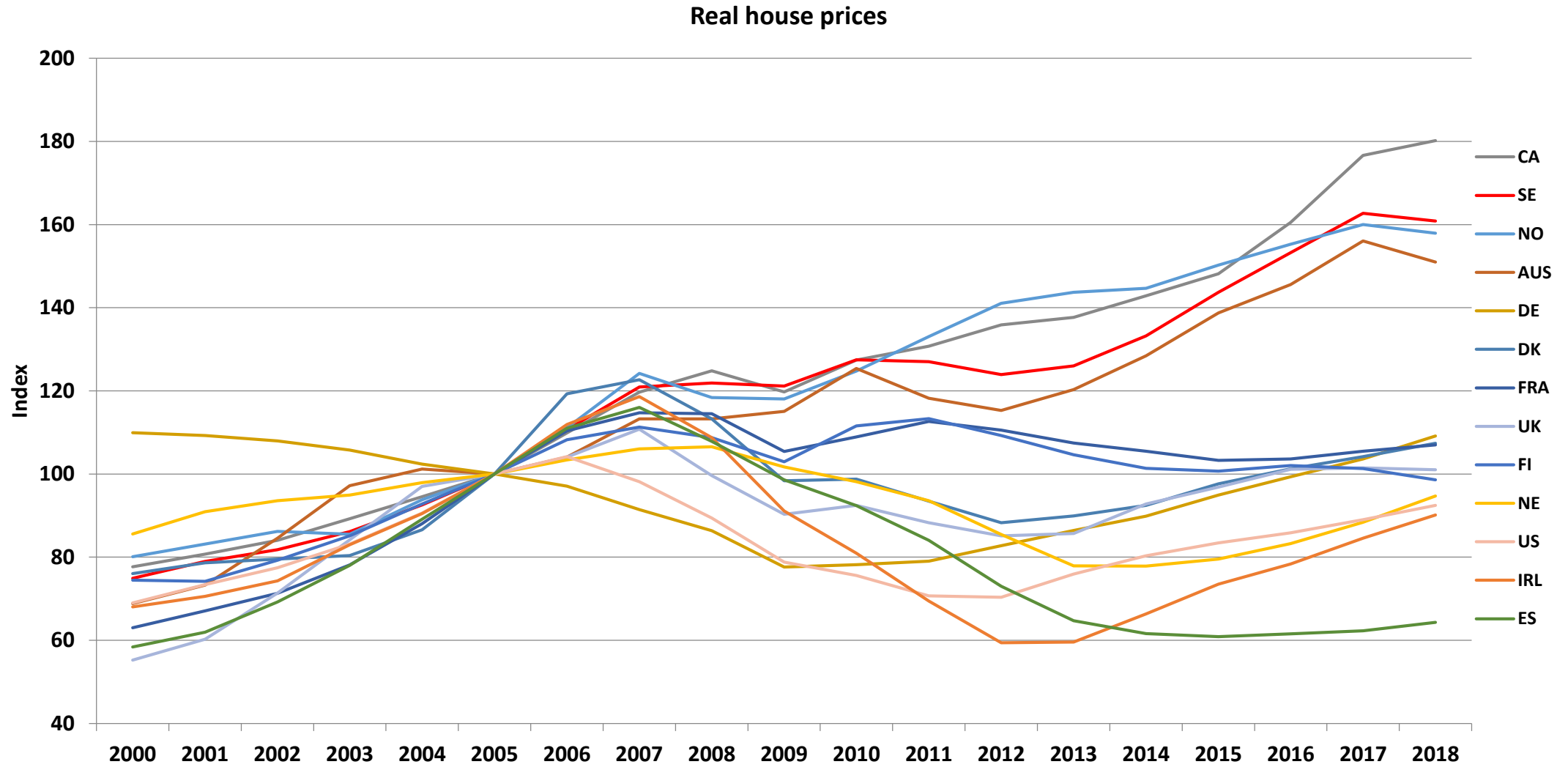
XIXth European Congress of the EFBS in Prague

Swedish macroprudential policy and household indebtedness

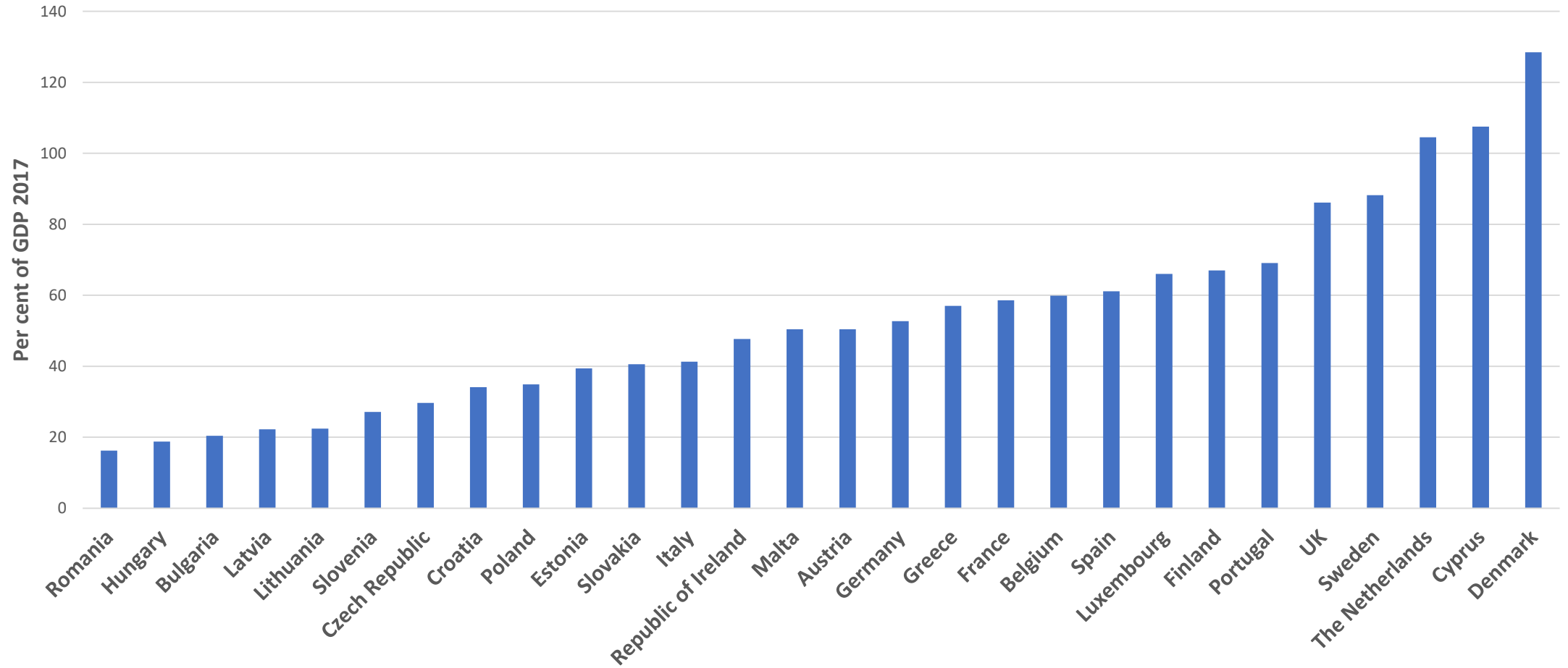
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18 October 2019

An increase of 115 per cent, since 2000, in real terms!

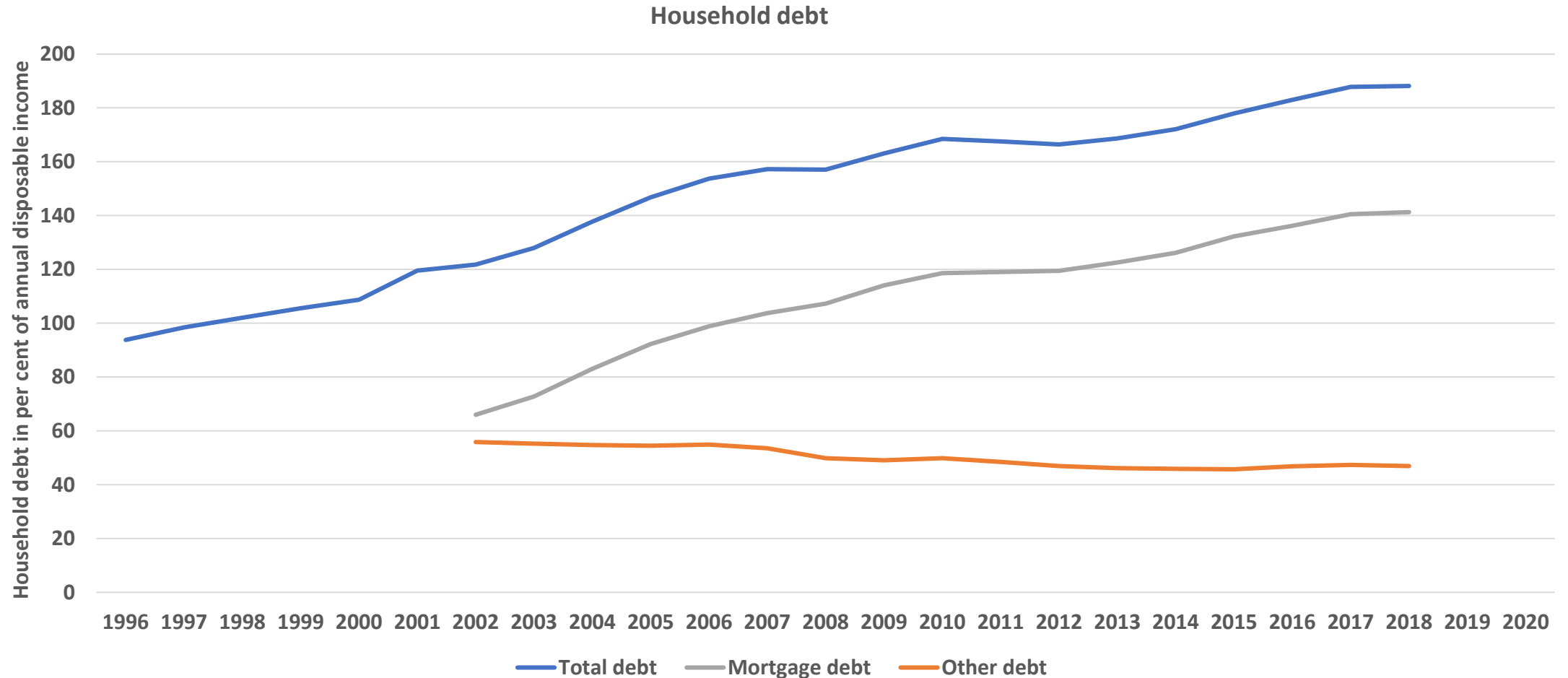


Household indebtedness in various countries



Sources: Eurostat and the Riksbank

It is all about mortgage debt!



It is about economics and politics

- Are house prices fundamentally motivated?
- It is unfair to restrict access to the housing market for young people
- Property taxes are low and interest rate reductions make people borrow too much
- Renters are discriminated against
- Women have lower incomes which makes it more difficult for them to buy a house
- People can't afford to change dwelling due to a high capital gains tax on housing
- The rental market is not working
- We have a housing shortage and it is stupid to restrict housing demand and consequently construction.
- The Swedish housing market is dysfunctional (Stefan Ingves, Governor of the Riksbank)
- Who shall make the call?

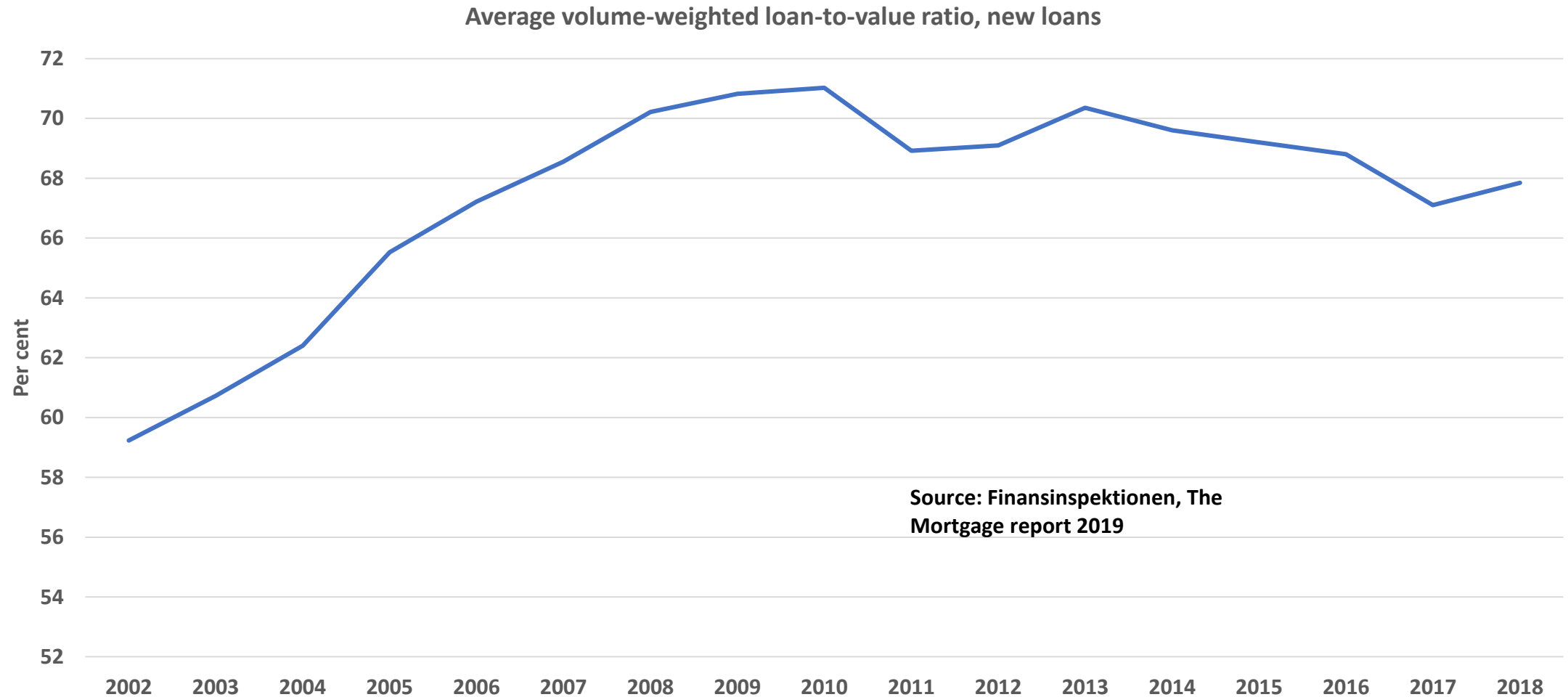
Implemented Macroprudential Tools

- LTV-cap: 85%. October 2010.
- Finansinspektionen becomes responsible for macroprudential policies 2014
- The countercyclical capital buffer is introduced in August 2014 and the risk weighted floor for mortgages is increased from 15 to 25 per cent.
- LTV-based amortisation requirement: 2% p.a. if LTV > 70%, 1% p.a. if LTV >50%. June 2016.
- LTI-based amortisation requirement: additional 1 p.p. if LT(gross)I > 450%. March 2018.

The LTV cap has reduced systemic risk

- Before the LTV Cap 25% borrowed more than 85% of the value of their home. Following the cap it fell to 18%.
- Those who were affected borrowed 13% less and bought homes 10 % cheaper.
- The oldest and the youngest were affected the most. But the youngest reduced their borrowing by significantly more than that by they purchased cheaper houses. Young people are therefore taking out some loans by other means (e.g. unsecured or from parents).
- The effect was smaller for new mortgagors as a whole. The majority was already borrowing less than 85% .

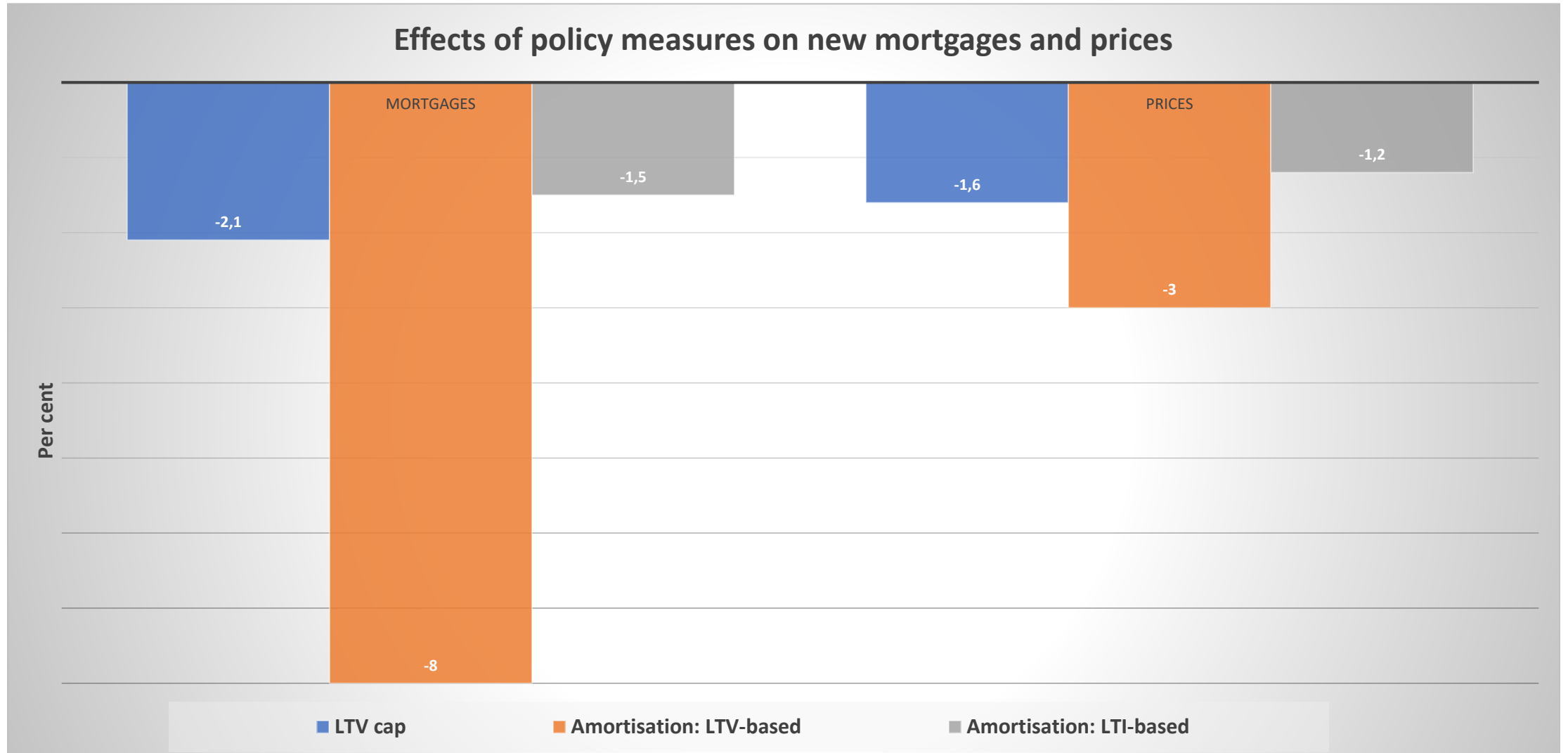
Loan-to-Value on a slight downward trend



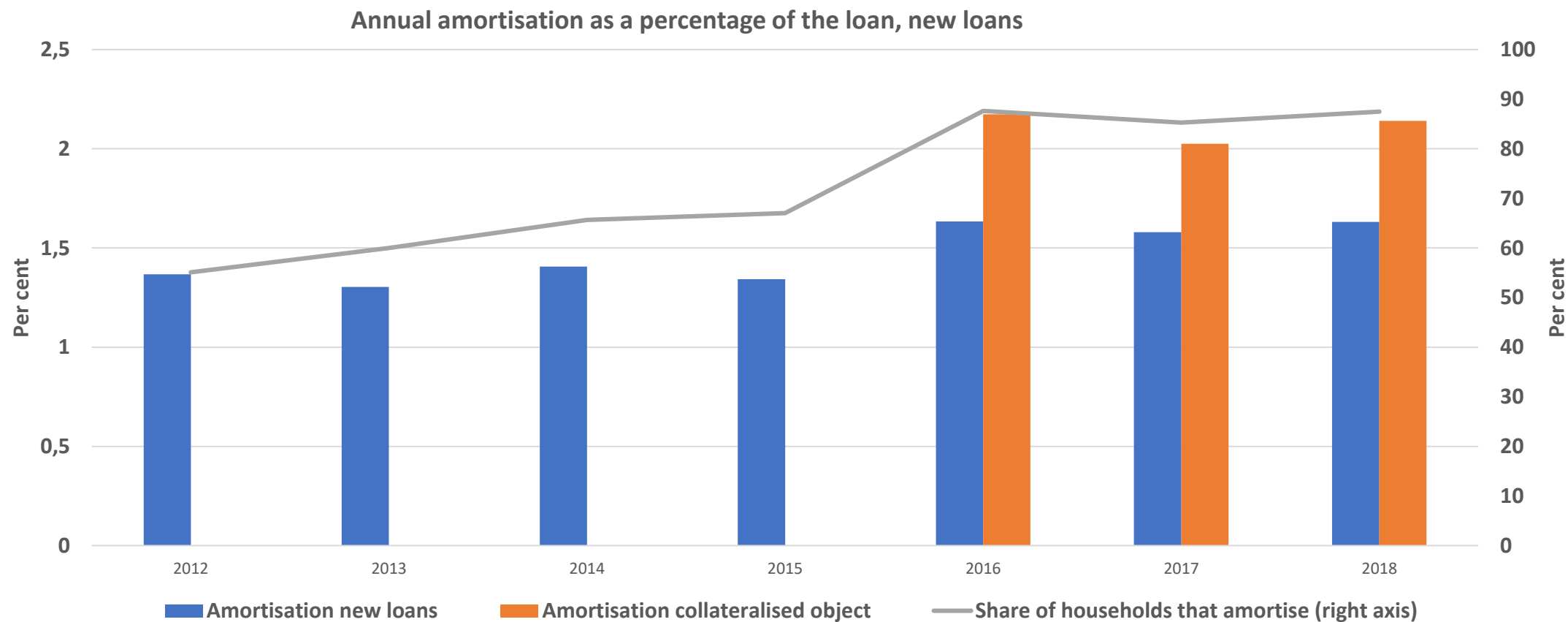
The LTV- and LTI-based amortisation requirements have further reduced systemic risk

- The proportion of new mortgagors who amortise increased from 67% in 2015 to 78 % in 2016 and the amounts amortised increased when the LTV-based requirement was introduced.
- For new mortgagors as a whole, the effect of the LTV-based amortisation requirement was that households bought homes 2% less expensive and borrowed on average 8% less.
- Following the introduction of the LTI-based amortisation requirement the percentage of new borrowers with a LTI ratio of more than 450% decreased from 13.5% to 5.7%.
- Those affected by the stricter LTI requirement borrowed 8.5 percent less than otherwise and bought less expensive homes.
- The overall effect is small given that the LTI requirement affects a limited number of people.

The LTV-based policy has been the most powerful



Still long amortisation periods, but increased amortisations



Source: Finansinspektionen, The Mortgage report 2019

Problems solved? Too early to tell – macro matters a lot!

Growth of mortgage loans and house prices and mortgage rates

