



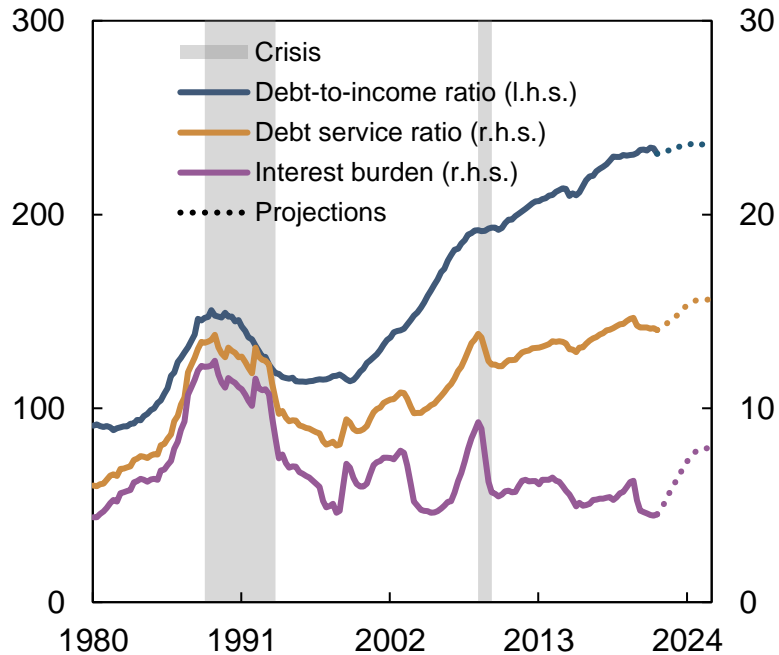
BORROWER-BASED MEASURES: THE NORWEGIAN EXPERIENCE

BANK OF IRELAND, APRIL 2022

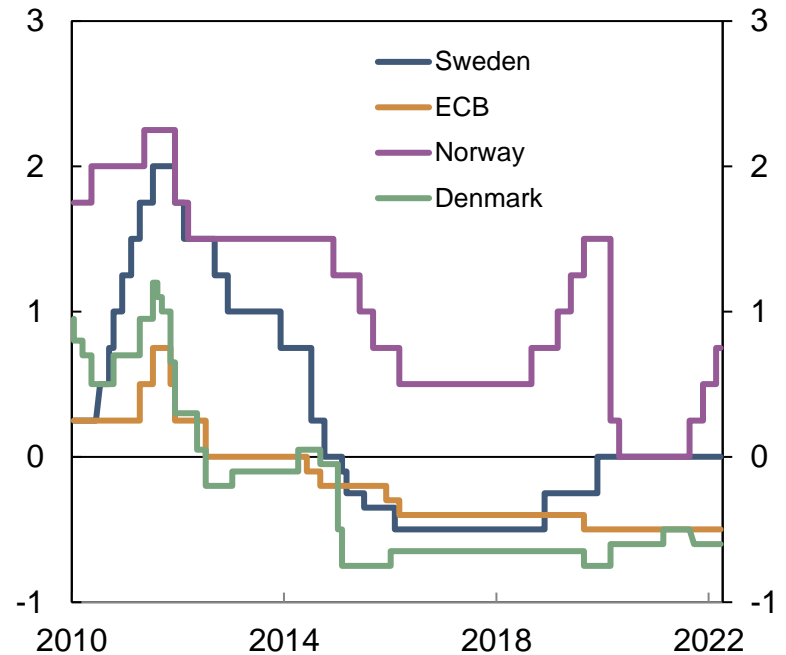
Executive Director Torbjørn Hægeland, Norges Bank Financial Stability

Norwegian economy: background

Household indebtedness.
1980 Q1 – 2025 Q4

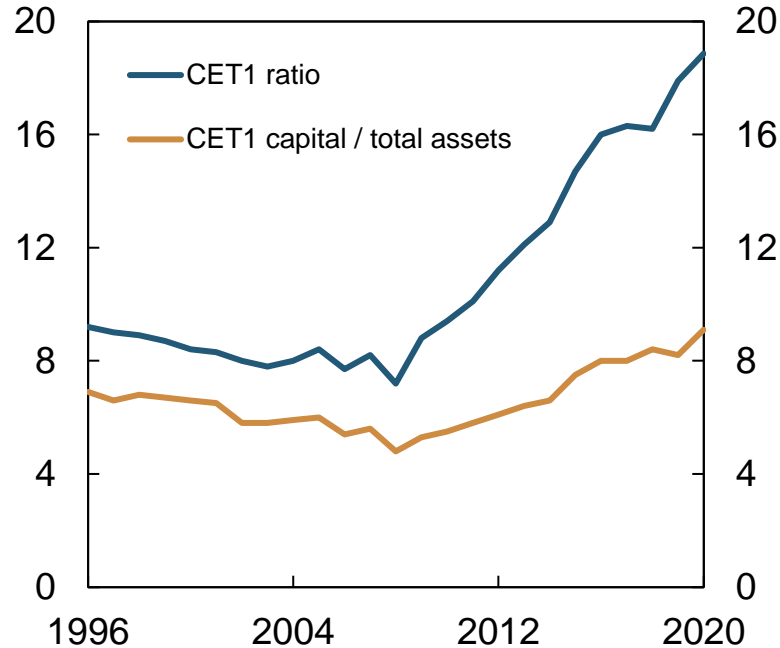


Policy rates NO, SE, DK, ECB
since 2010



Norwegian macroprudential policy

More bank capital. 1996 - 2020



Source: Financial Supervisory Authority of Norway

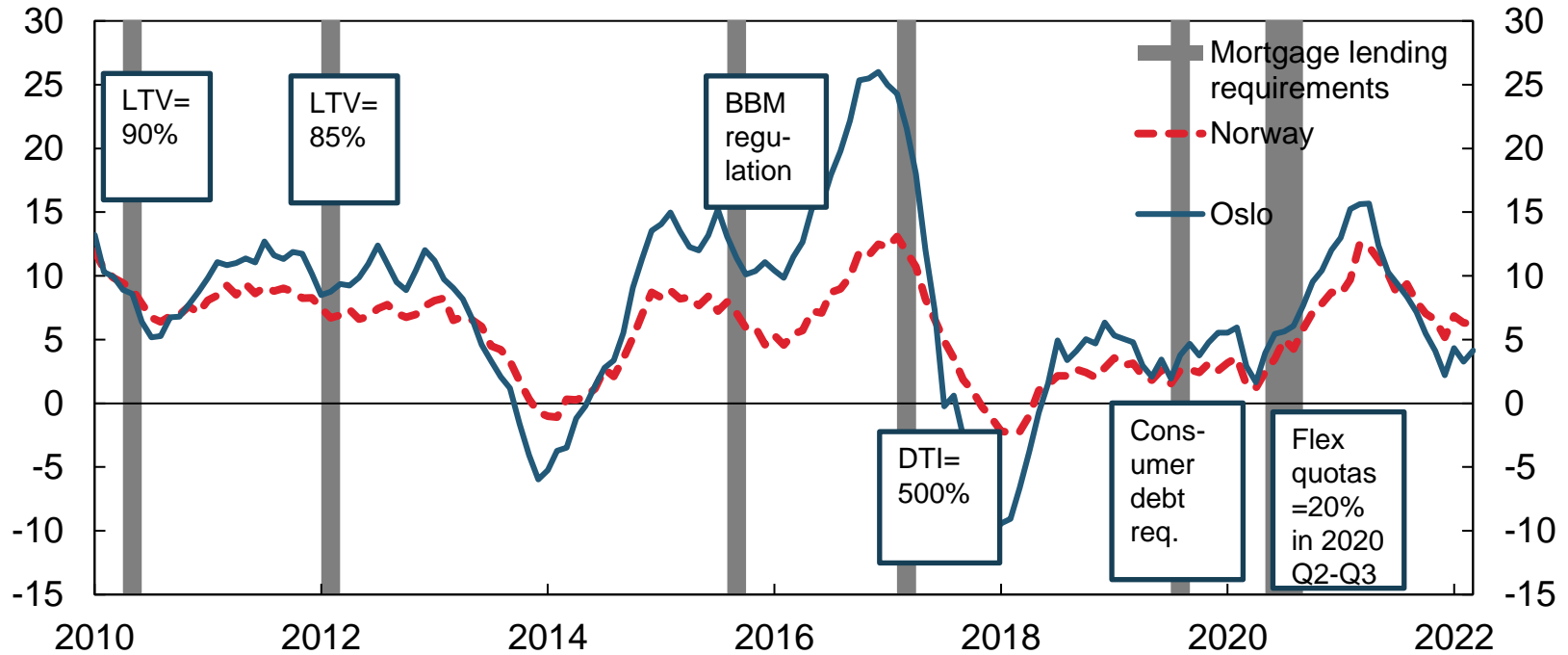
Borrower-based measures

LTV limit	85%
“Stress test”	5 percentage points
DTI limit	5 x income
Principal repayment requirement	For LTV > 60%
Secondary dwellings	LTV 60% in Oslo
Flexibility quotas	10% 8% in Oslo



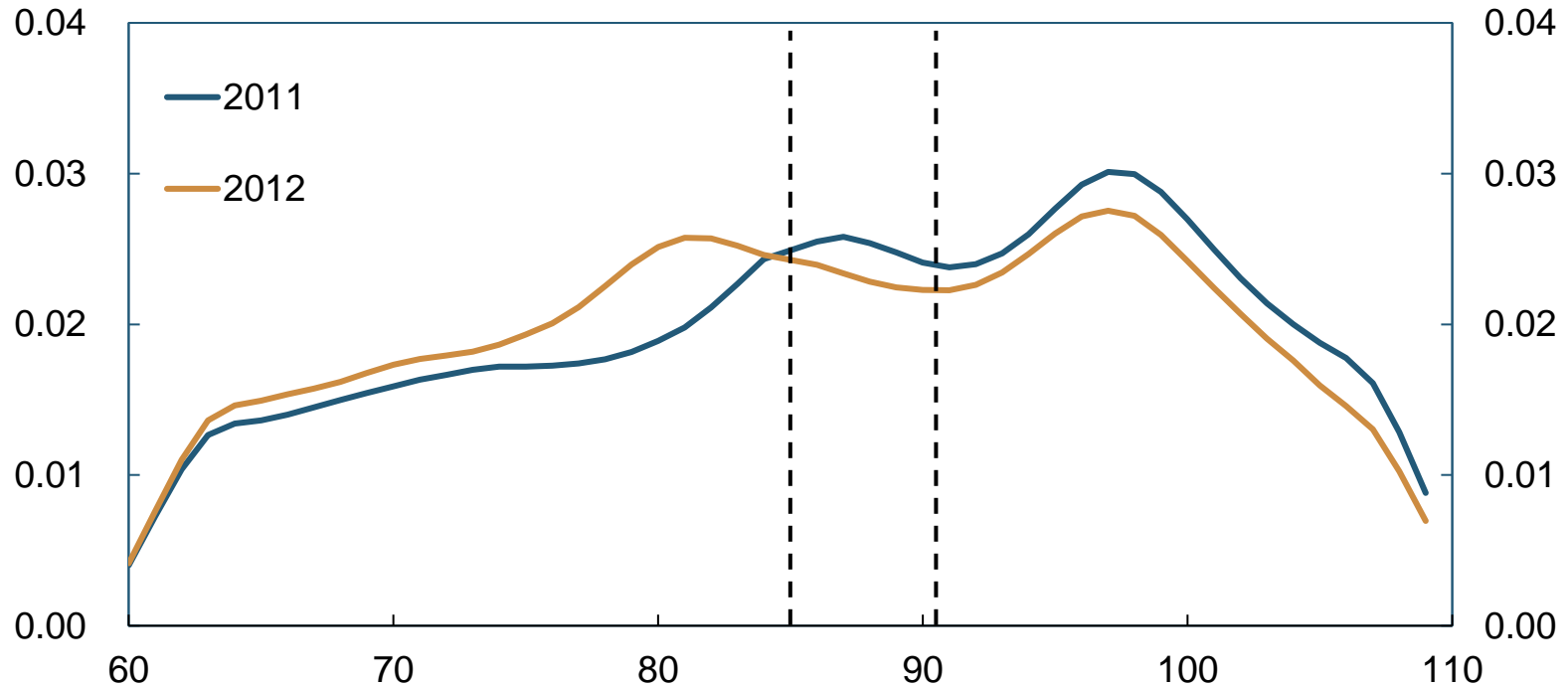
House price inflation and BBMs in Norway

Twelve month change. January 2010 – March 2022



Homebuyers have adjusted to loan-to-value (LTV) limits

Distribution of calculated mortgage debt as a share of total home purchases.
Percent



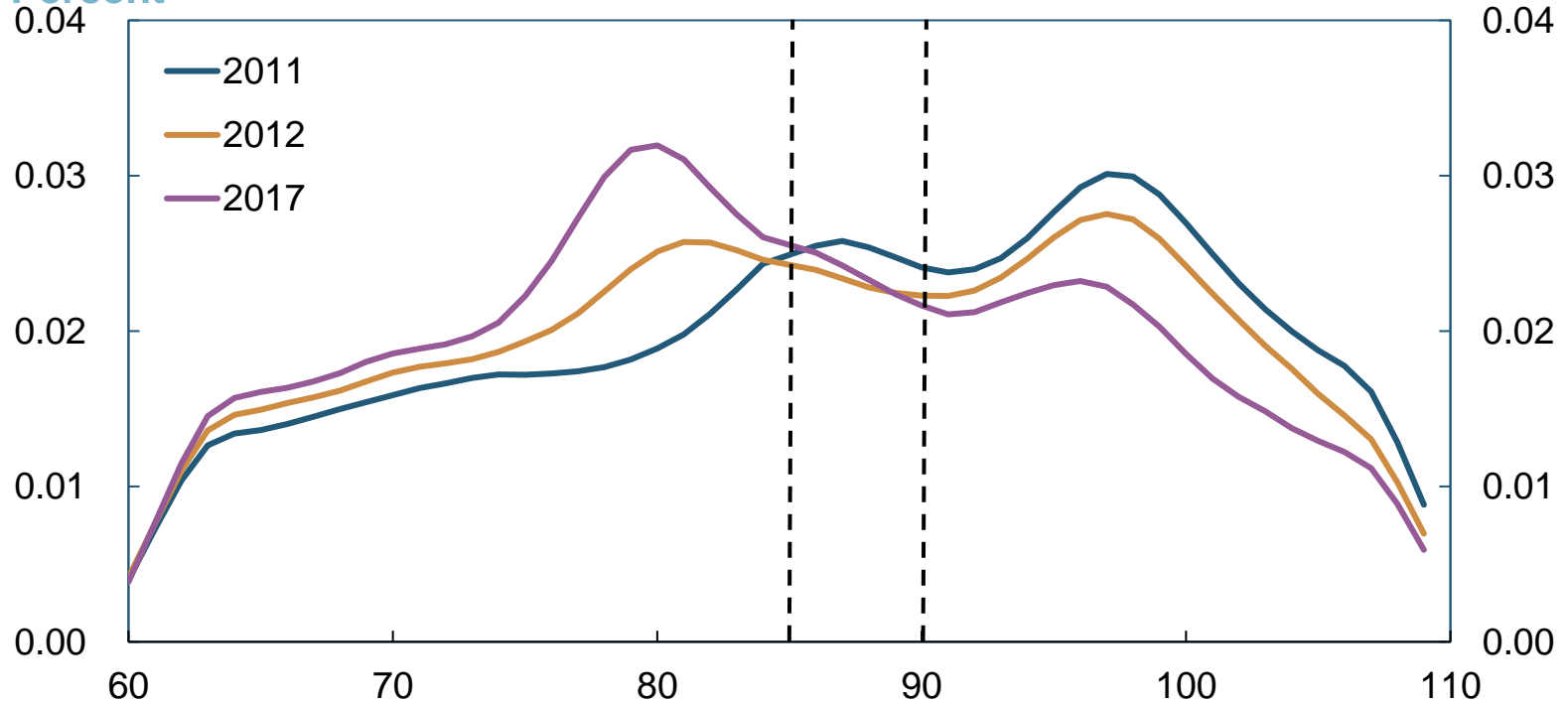
Reference: Aastveit K. A., R. E. Juelsrud and E. G. Wold (2020) "Mortgage regulation and financial vulnerability at the household level". Working Paper 6/2020. Norges Bank



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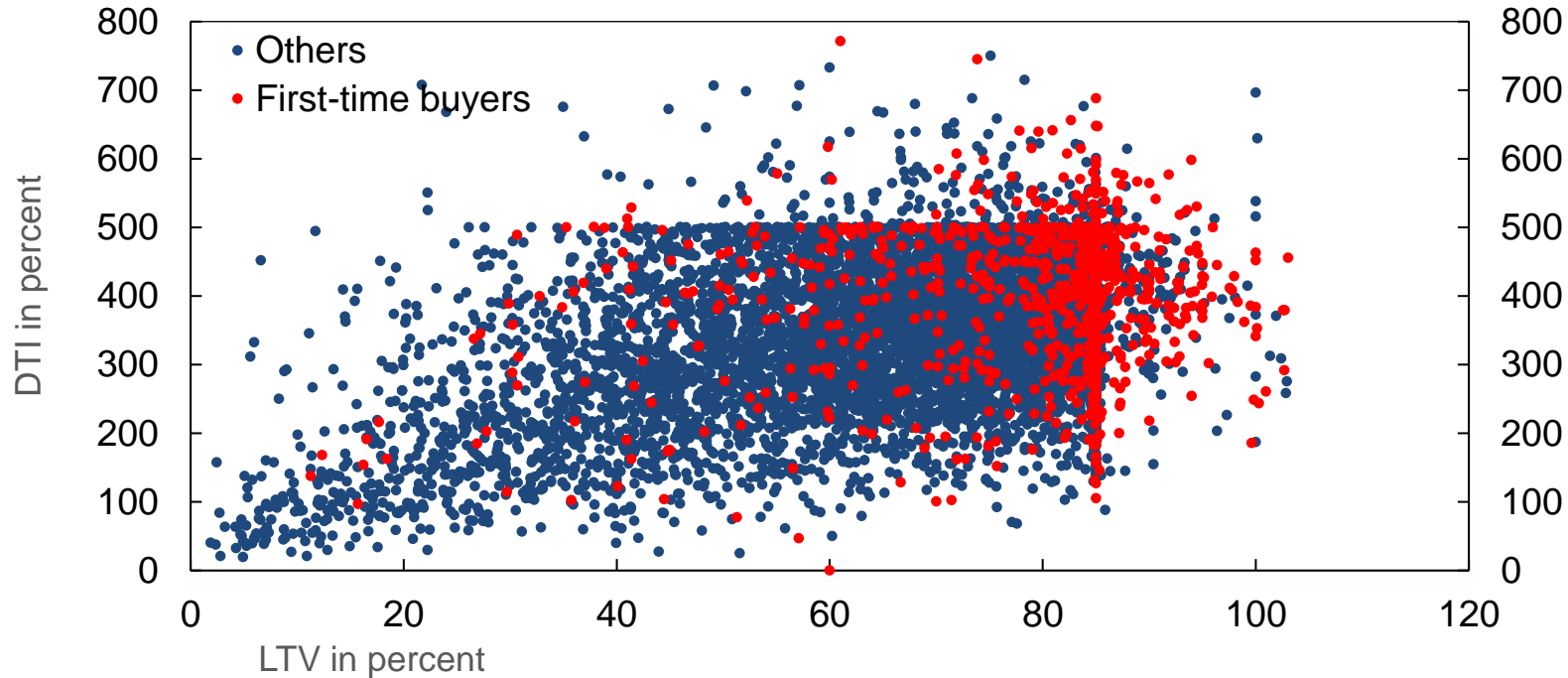


Reference: Aastveit K. A., R. E. Juelsrud and E. G. Wold (2020) "Mortgage regulation and financial vulnerability at the household level". Working Paper 6/2020. Norges Bank



The regulation restricts many borrowers

New repayment mortgages by debt-to-income (DTI) and loan-to-value (LTV). 2021

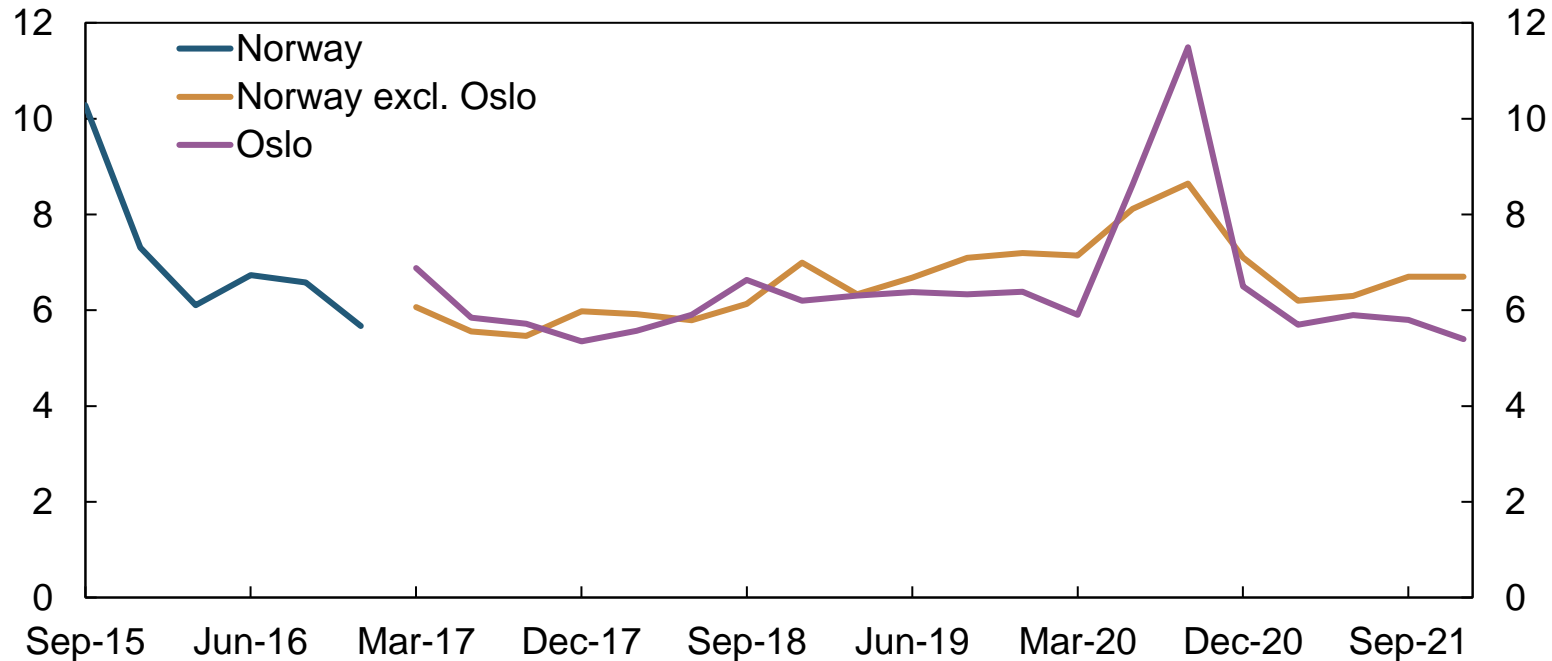


Source: Finanstilsynet (Financial Supervisory Authority of Norway)



New repayment mortgages exceeding the requirements increased as flex quotas increased

Percent of total new repayment mortgages. Sep. 2015 – Dec. 2021

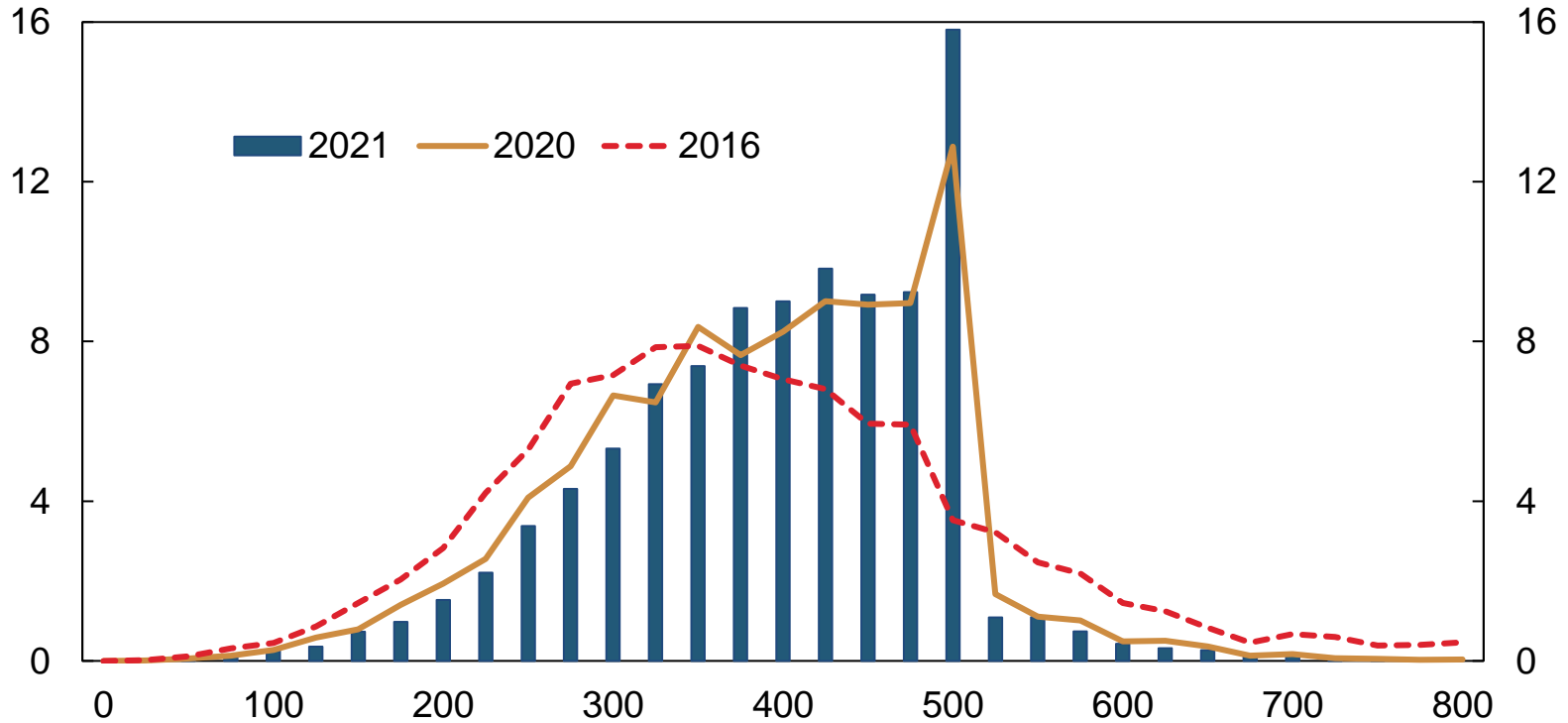


Source: Finanstilsynet (Financial Supervisory Authority of Norway)



Increasing debt-to-income ratios

New mortgage loans by DTI ratio as percent of total loan volume



Going forward

- Higher interest rate levels ahead may change how the regulation binds.
- Probably the stress test on debt service (+5pp) will become more binding, and the DTI less.
- Will we see more financial innovation as eg rent-to-buy?

Current requirements

LTV limit	85%
“Stress test”	5 percentage points
DTI limit	5 x income
Principal repayment requirement	For LTV > 60%
Secondary dwellings	LTV 60% in Oslo
Flexibility quotas	10% 8% in Oslo



Final remarks

- BBMs must strike a balance between the objective of credit market efficiency and the objective of mitigating the build-up of risk in the financial system.
- The Norwegian BBM regulation has worked well.
 - A comprehensive set of requirements, with flexibility quotas.
 - Evaluation in 2022, sunset in 2024.
- Structural regulation with cyclical benefits.
- Still a lot to learn regarding the design and effects of BBMs
 - Simplicity vs. precision
 - The importance of good data (debt registers)
 - New experience to come when interest rates rise





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