



The Swedish Mortgage Market

24 March 2021



Summary

Finansinspektionen's (FI) assignment is to contribute to a stable financial system through well-functioning markets and strong consumer protection. We should also contribute to sustainable development and limit financial imbalances. As part of this assignment, FI is following the ongoing development of household debt, and this mortgage survey provides key data. Large debt can pose risks to individual households, banks, financial stability and macroeconomic development. Household debt has risen faster than household disposable income for a long time. One important reason for this is that house prices have been increasing rapidly.

The trend in recent years of borrowers taking on larger loans continued in 2020. Both the average loan-to-value ratio and the average loan-to-income ratio increased in 2020. The share of new mortgagors with a loan-to-income ratio of more than 450 per cent (using gross income) increased to 11.3 per cent. However, this percentage continues to be lower than it was before FI introduced the stricter amortisation requirement in 2018. In general, new mortgagors have good margins for servicing their loans under weaker economic conditions. Since more new borrowers have taken larger mortgages in relation to their income, they are more sensitive to higher interest rates than before.

The pandemic has caused an economic downturn and created considerable uncertainty about the future. Governments, central banks, and supervisory authorities have implemented extensive measures that dampen the economic impact of the pandemic. Support measures and expectations of low interest rates going forward have also helped asset prices recover after their initial turbulence, and they are now higher than they were before the crisis began. This also applies to house prices, which once again are rising much faster than income.

Since April 2020, banks have had greater possibilities for temporarily exempting households with mortgages from amortisation payments. The general guidelines that FI introduced meant that the banks could grant exemption from the amortisation requirements during periods of considerable macroeconomic uncertainty or following a strong economic shock. As of January 2021, a total of 230,000 households in the banks' mortgage portfolios were granted temporary exemption from amortisation payments. In FI's sample of new mortgagors in 2020, roughly 9 per cent had applied for and been granted exemption from amortising all or parts of their new mortgages. New mortgagors who were granted exemption tend to have larger loans in relation to both the value of their home and their income relative to other mortgagors who amortise.

The temporary exemption from amortisation payments pursuant to the general guidelines applies until 31 August 2021. The macroeconomic development has sta-

bilised and the outlook for Sweden's economy and household optimism are increasingly brighter. Therefore, FI makes the assessment that the temporary exemption will not be extended; it will expire on 31 August 2021.