ESRB
European Systemic Risk Board
European System of Financial Supervision

EUROPEAN CENTRAL BANK
EUROSYSTEM

Notification template for borrower-based measures

Please send/upload this template to:

- macropru.notifications@ecb.europa.eu when notifying the European Central Bank (ECB);
- DARWIN/ASTRA when notifying the European Systemic Risk Board (ESRB).

This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure[1].

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. In order to facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

1. Notifying national authority and scope of the notification		
1.1	Name of the notifying authority	Norges Bank.
1.2	Country of the notifying authority	Norway.
1.3	Type of borrower-based measure	Please select one of the measures listed below: ☐ Debt-service-to-income (DSTI) ☐ Loan-to-income (LTI) ☒ Loan-to-value (LTV) ☒ Debt-to-income (DTI) ☒ Loan maturity ☒ Other (interest rate stress test)
1.4	Type of notification	What do you intend to notify? ☐ Activation of a new measure ☒ Change to an existing measure ☐ Extension of an existing measure ☐ Termination of an existing measure

[1] On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

2. Description of the measure		
2.1	Description of the measure	The regulation covers residential mortgage loans, other secured loans, as well as consumer credit. The regulation contains: - A stress test / sensitivity test (when assessing a borrower's debt-servicing ability, the lender needs to include all relevant expenses and make allowance for an interest rate increase of at least 3 percentage points on total debt or as a minimum an interest rate of 7 per cent) - A debt-to-income (DTI) requirement (total debt may not exceed five times gross annual income) - A loan-to-value requirement (LTV is capped at 85%, additional collateral is accepted) - Principal payments requirements (residential mortgage loans with an LTV above 60% need to be amortised at a rate of 2,5% per annum or equivalent to an annuity loan with a 30-year repayment period, the maximum term of consumer loans is 5 years and monthly principal repayment is required). Exceptions, flexibility quotas and other: - 10% of the new residential mortgage loans volume per quarter outside Oslo is allowed not to meet the regulatory requirements, in Oslo the flexibility quota is 8% - For loans with other collateral than real estate the flexibility quota is 10% - For consumer loans the limit is 5% - Lenders may deviate from the debt-to-income requirement and stress test when issuing a residential mortgage loan where the purpose of the loan is to restructure existing debt held by borrowers that are not able to service the debt. - The regulation does not cover equity release mortgages, i.e. loans with housing as collateral where the loan becomes due and payable when the borrower dies or sells the property, when the LTV ratio is below 85 percent.

		- The regulation does not cover credit lines in the form of credit cards where the customer's total credit limits cannot exceed 25 000 kroner.
2.2	Definition of the measure	D = Total debt. For credit lines, e.g. credit cards, lenders must base their assessment on the full utilization of credit limits. I = Gross annual income. Lenders are obliged to use personal income as defined for tax purposes. The regulation allows lenders to include rental income and also consider tax-free income in the calculation, provided that the income is stable over time and can be documented. L = Sum of loans with the property as collateral V = Property (market) value plus collateral in other real estate and the use of a guarantor
2.3	Legal basis and process of implementation of the measure	National law.
2.4	Coverage	a. Banks and other financial institutions lending to consumers. It also regulates foreign financial institutions operating in Norway. Coverage of the measure is based on the type of activity of the credit provider, e.g. lending to consumers.
		b. Natural persons.

		c. Mortgage loans, consumer loans that are provided to consumers with a mortgage, consumer loans
2.5	Calibration	The LTV-limit was set equal to the former guideline by the Financial Supervisory Authority (Finanstilsynet). In general the measures have been calibrated by assessing the development in credit and house prices, analyses using household level data, and taking into account views and arguments from public consultations.
3. Timing for the measure		
3.1	Timing for the decision	What is the date of the official decision of the notified measure? 09/12/2022
3.2	Timing for publication	What is the date of publication of the notified measure? 09/12/2022
3.3	Disclosure	Press release. Amendments to the lending regulation - regjeringen.no.
3.4	Timing for the application	What is the intended date for application of the measure? 01/01/2023 What is the intended timeline for phase-in of the measure, if relevant? Lenders must adapt their credit standards for loans with other collateral by 1 July 2023. Prior to 1 January 2023 this type of loans was not covered by the regulation.

3.5	End date (if applicable)	Until when is it presumed that the measure will be in place? If applicable, please give an end date. 31/12/2024
4. Reason for activation of the measure		
4.1	Description of the macroprudential risk	Credit growth and leverage.
4.2	Indicators used for activation of the measure	Household debt, house price inflation and Finanstilsynet's residential mortgage lending survey.
4.3	Effects of the measure	Finanstilsynet's annual residential mortgage lending survey (Bustadlånsundersøkingar - Finanstilsynet.no in Norwegian only) Norges Bank's bank lending survey 2017Q3 (Lower household credit demand (norges-bank.no)) indicate that banks' credit standards have been more stringent since the regulation on new residential mortgage loans was tightened in 2017. Consumer loans have declined since the regulation and credit registers were put in place. (Credit registers were introduced in 2019.) This has contributed to limit lending to vulnerable households and the build-up of household sector vulnerabilities, see Monetary Policy Report with financial stability assessment 3/2020 (norges-bank.no) p. 54. See also Analyses of effects of the residential mortgage loan regulation (norges-bank.no) The LTV-limit may have deteriorated household liquidity persistently and increased household vulnerability to

		shocks, see The household effects of mortgage regulation (repec.org).
5.	**Sufficiency, consistency and non-overlap of the policy response**	
5.1	Sufficiency of the policy response	For a macroprudential policy to be 'sufficient', the policy responses must be deemed to significantly mitigate, or reduce the build-up of, risks over an appropriate time horizon with a limited unintended impact on the general economy. Note that the ESRB will use this assessment of the macroprudential stance as relevant input in assessing the sufficiency of the macroprudential policy in the Member State. Please provide any additional information that the ESRB should consider in assessing the sufficiency of the policy response. No additional information
5.2	Consistency of application of the policy response	For a macroprudential policy to be 'consistent', the policy instruments must be deemed to meet their respective

		objectives, as outlined in ESRB/2013/1[2], and they must be implemented in accordance with the common principles set out in the relevant legal texts. Note that the ESRB assessment of consistency will consider whether the same systemic risks are addressed in a similar way across and within the Member States over time. Please provide any additional information that the ESRB should consider in assessing the consistency of the policy response. No additional information
5.3	Non-overlap of the policy response	For a policy instrument to be 'non-overlapping', it should aim to address a systemic risk that either differs from the risk addressed by other active tools in the same Member State, or to be complementary to another tool in that Member State which addresses the same systemic risk. - Are other policy instruments used to address the <u>same</u> systemic risk? No - If yes, please explain the need for more than one instrument to address the same systemic risk and how the different instruments interact with each other.
6. Cross-border and cross-sector impact of the measure		

[2] Recommendation of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1) (OJ C 170, 15.6.2013, p. 1).

6.1	Assessment of cross-border effects and the likely impact on the Internal Market (Recommendation ESRB/2015/2[3])	The regulation applies for new residential mortgage loans, other secured loans, and consumer credit granted by Banks and other financial institutions lending to consumers. It also regulates foreign financial institutions operating in Norway. Effects on banks' overall portfolio composition are expected to be small. Assessment of the cross-border effects of implementation of the measure. a. Assessment of the spillover channels operating via risk adjustment and regulatory arbitrage. The relevant indicators provided in Chapter 11 of the ESRB Handbook on Operationalising Macroprudential Policy in the Banking Sector[4] and the Framework to assess cross-border spillover effects of macroprudential policies of the ECB Task Force on cross-border spillover effects of macroprudential measures can be used. b. Assessment of the: o cross-border effects of implementation of the measure in your own jurisdiction (inward spillovers); o cross-border effects on other Member States and on the Single Market of the measure (outward spillovers); o overall impact on the Single Market of implementation of the measure. No additional information
6.2	Assessment of leakages and regulatory arbitrage within the notifying Member State	Referring to your Member State's specific characteristics, what is the scope for "leakages and regulatory arbitrage" in your own jurisdiction (i.e. circumvention of the measure/leakages to other parts of the financial sector)? Is there scope for "leakages and regulatory arbitrage" in other jurisdictions? See 6.1

[3] Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).
[4] Available on the ESRB's website at www.esrb.europa.eu.

6.3	Request for reciprocation	Do you intend to ask the ESRB to issue a recommendation to other Member States to reciprocate the measure? No According to national law the regulation applies for new mortgages and consumer loans given by both Norwegian banks and Norwegian branches of foreign banks. Thus, no need for a reciprocation request.
6.4	Justification for the request for reciprocation	
7. Miscellaneous		
7.1	Contact person(s)/mailbox at notifying authority	Kjersti-Gro Lindquist Kjersti-Gro.Lindquist@Norges-Bank.no +4790100747
7.2	Any other relevant information	
7.3	Date of the notification	Please provide the date on which this notification was uploaded/sent. 02/02/2023