

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 measure¹.

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	Czech National Bank
1.2	Country of the notifying authority	Czech Republic
1.3	Type of borrower-based measure	<p>Please select one of the measures listed below:</p> <p><input type="checkbox"/> Debt-service-to-income (DSTI) <input type="checkbox"/> Loan-to-income (LTI) <input checked="" type="checkbox"/> Loan-to-value (LTV) <input checked="" type="checkbox"/> Debt-to-income (DTI) <input type="checkbox"/> Loan maturity <input type="checkbox"/> Other (please provide a short, name-like description here and provide more details in Section 2)</p>
1.4	Type of notification	<p>What do you intend to notify?</p> <p><input checked="" type="checkbox"/> Activation of a new measure <input type="checkbox"/> Change to an existing measure <input type="checkbox"/> Extension of an existing measure <input type="checkbox"/> Termination of an existing measure</p>

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authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.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	<p>Introduction of recommended upper limits on the ratio of the loan amount to the value of the collateral (“LTV ratio”) and on the ratio of the consumer’s total debt to the consumer’s net income (“DTI ratio”), set at a maximum of 70% and 7 respectively, which apply only to applicants for credit secured by residential property to <u>purchase residential property for investment purposes</u> and to applicants for credit secured by residential property to <u>purchase a third and each additional residential property</u>.</p>
2.2	Definition of the measure	<p>The DTI ratio means the ratio of a consumer’s total debt to net annual income, where:</p> <ul style="list-style-type: none"> - the consumer’s total debt means the sum of the loan provided and the consumer’s other secured and unsecured loans from the relevant provider, as well as loans from another providers, including undrawn principal of these loans; - the consumer’s net income means the amount of annual after-tax income prudently assessed as permanent on the basis of a provably documented income history for a sufficiently long period. <p>The LTV ratio means the ratio of a loan amount to the value of the collateral, where:</p> <ul style="list-style-type: none"> - the loans amount means consumer’s total debt arising from consumer credit secured by the same residential property; - the value of the collateral means the value of the residential property securing the new consumer credit; where the consumer credit is provided for the construction or reconstruction of the residential property, the value of the residential property shall be set after the construction or reconstruction is completed. <p>Details regarding definitions are set by Decree No. 399/2021 Coll. on credit ratios pursuant to Article 45a(6) of Act No. 6/1993 Coll., on the Czech National Bank, as amended by Act No. 219/2021 Coll., the Czech National Bank</p>

2.3	<p>Legal basis and process of implementation of the measure</p>	<p>The measure has the form of Recommendation</p> <p>Legal basis</p> <p>Pursuant to Article 45b(4) of Act No. 6/1993 Coll., on the Czech National Bank, as amended (hereinafter referred to as the “Act on the CNB”), the CNB regularly analyses and reviews the factors pursuant to Article 45b(2) of the Act on the CNB underlying systemic risks associated with the provision of consumer credit secured by residential property at least once every six months. Where it identifies systemic risks, the CNB is entitled pursuant to Article 45b(1) of the Act on the CNB to set an upper limit on one or more credit ratios (LTV, DSTI, DTI).</p> <p>The CNB is also issuing a set of quantitative and qualitative recommendations regarding credit conditions and standards in the form of official information in order to strengthen the resilience of the financial system and the financial stability of households pursuant to Article 86 of Act No. 257/2016 Coll., on Consumer Credit, as amended (hereinafter referred to as the “Consumer Credit Act”).</p> <p><i>Decree No. 399/2021 Coll., on credit ratios:</i> manner of, and rules for calculating ratios and definitions of items included in the calculation</p> <p>Process of implementation: The CNB regularly (at least twice a year) assesses consumer loans secured by residential property and the overall situation in the mortgage and residential property market and housing loan market. This is based on macroprudential analyses and information gathered in the course of the financial market supervision.</p> <p>When the CNB identifies relevant systemic risks and considers it as optimal way to respond to the risk, the CNB issues a recommendation by means of adjusting or extending its official information – The Recommendation on the management of risks associated with the provision</p>
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		<p>of consumer credit for housing (since 2015, hereinafter the “Recommendation”).</p> <ul style="list-style-type: none"> - Until 2021, the Recommendation contained a summary of recommended limits on selected credit ratios and a set of other rules, the observance of which constituted prudent behaviour when conditions on the financial market are taken into account. - Since December 2021 the Recommendation has contained selected conditions related to the provision of consumer loans secured by residential property, which are not regulated by the Act on the Czech National Bank and specified by the provision of a general nature, e.g. maximum maturity, acceptable methods of principal repayment, prudential practices regarding increasing the principal of an existing mortgage loan. - Since December 2024, the Recommendation has been extended to all housing loans, including unsecured ones. <p>Legal Binding Status: The measure has been issued in the form of a Recommendation because Act No. 6/1993 Coll., on the Czech National Bank, does not allow to issue the upper limits on the credit ratios only applicable to a certain group of consumer credit secured by residential property. Compliance with the Recommendation is regularly monitored, and any breaches are followed up with communication with the individual providers.</p>
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2.4	Coverage	<p>Loan providers: The measure applies to entities authorised to provide consumer credit under the Act No. 257/2016 Coll., on Consumer Credit and concerns consumer credit for housing under the Consumer Credit Act, and consumer credit provided to consumers who have consumer credit for housing.</p> <p>Loan applicants: The measure applies to natural persons applying for a consumer loans for housing or for any consumer credit in case the consumer already has consumer credit for housing.</p> <p>Loan product: It applies to consumer loans for housing provided to natural persons (individuals) and to consumer credit provided to natural persons (individuals) who have a consumer loans for housing.</p>
2.5	Calibration	<p>The CNB uses three main approaches when setting upper limits on credit ratios: an indicator approach, a simulation approach and an expert approach (see The CNB's approach to the calibration of borrower-based measures). These approaches are applied especially when setting the law-binding upper limits. In case of specific recommendations, including the notified one, the indicator and expert approaches prevail.</p> <p>The indicator approach takes into account current and expected future developments linked to the CNB's macroeconomic forecast for the indicators defined in the Act on the CNB and other key indicators used to identify systemic risks to financial stability. The aim of the indicator approach is to recognise in good time whether conditions are being created on the mortgage and property market and housing credit market for the formation or build-up of potential systemic risks.</p>

		The expert approach takes into account factors as market uncertainty, evolution of credit standard or other policy setting. It is based on the analytical perspective and expert judgement of the Bank Board and the recommendations of the Monetary Department and Financial Market Supervision Department. This allows the broader macroeconomic conditions, the interaction between monetary and macroprudential policies, the specific nature of past or expected future adverse shocks, the rate of change in the risk of the existing portfolio, structural changes in the economy and so on to be incorporated into the decision.
3. Timing for the measure		
3.1	Timing for the decision	27/11/2025
3.2	Timing for publication	15/12/2025
3.3	Disclosure	Recommendation on the management of risks associated with the provision of consumer loans secured by residential property disclosed on December 15, 2025 on the CNB website (link).
3.4	Timing for the application	01/04/2026
3.5	End date (if applicable)	The measure is not time-limited. However, under the Act on the CNB, the CNB is required to regularly assess systemic risks with regard to their existence and their expected further evolution. If there is a material change in these risks, the CNB will amend, tighten or deactivate the existing measures.
4. Reason for activation of the measure		

4.1	Description of the macroprudential risk	<p>The main objective is to mitigate the systemic risk stemming from the cyclical behaviour of the residential real estate market.</p> <p>After a period of downturn, the mortgage market has returned to its long-term average in terms of the number of loans granted and even exceed the averages in nominal terms, given the significant increase in residential property prices and the associated rise in loan volumes.</p> <p>Compared with the past, there is a noticeable increase in the share of mortgage loans with an investment character, which could, in the event of adverse developments, contribute to a deeper decline in residential property prices and induce a higher degree of pro-cyclicality in property and credit market. A significant share of investment-type mortgages exhibiting elevated risk characteristics in terms of DTI and DSTI indicators further indicates the potential materialisation of these risks.</p>
4.2	Indicators used for activation of the measure	<p>The CNB's indicator-based approach builds on current and expected future developments reflected in the CNB's macroeconomic forecast and covers the indicators defined in the Act on the CNB, together with other key indicators used to identify systemic risks to financial stability.</p> <p>In addition, the above-mentioned indicators were complemented by the following mortgage market indicators:</p> <ul style="list-style-type: none"> - total number and volume of newly negotiated and refinanced mortgage loans; - pure newly negotiated mortgage loans by purpose, distinguishing the investment purposes and the number of already owned properties for own housing needs; - pure newly negotiated mortgage loans with a DTI above certain thresholds (7/8/9), also in relation to the purpose; - pure newly negotiated mortgage loans with a DSTI above certain thresholds

		<p>(40/45/50/55/60%), also in relation to the purpose;</p> <ul style="list-style-type: none"> - pure newly negotiated mortgage loans with a LTV above certain thresholds (70/80/90%), also in relation to the purpose. <p>For a detailed overview see Financial Stability Report – Autumn 2025 (link).</p>
4.3	Effects of the measure	<p>The <u>expected effect</u> of the activation of the measures is of a preventive nature, primarily aiming at slowing further increases of the share of the mortgages of investment-related purposes. The expected effect will be transmitted by affecting the risk characteristics of investment-type mortgages through borrowers' adjustment to the new conditions, thereby eventually mitigating potential cyclical fluctuations in the mortgage and residential real estate markets linked to pro-cyclical investment behaviour.</p> <p>The CNB <u>does not expect</u> the measures to have a material impact on the present overall volume of mortgage lending that would translate into unintended effects on the profitability of the banking sector or on the real economy, for example in the form of a more pronounced correction in residential property prices. This assessment is based in particular on the anticipated adjustment of new borrowers to the revised lending conditions rather than the exit of a significant number of applicants from the market.</p>
5. Sufficiency, consistency and non-overlap of the policy response		

5.1	Sufficiency of the policy response	<p>The current evolution of potential risks related to mortgage lending calls for increased prudence. The residential real estate market remains tight, reflecting structurally constrained housing supply and a strong increase in residential property prices that has exceeded income growth, leading to a gradual deterioration in housing affordability and an increased risk of a future price correction. While price growth is expected to moderate over a one-year horizon (according to CNB's macroeconomic autumn forecast), cyclical risks have started to re-emerge as the mortgage market has rebounded following a period of subdued activity.</p> <p>At the same time, banks have broadly maintained prudent lending standards, and the mortgage market does not display signs of broad-based overheating, including in light of the latest macroeconomic and financial outlook (see Financial Stability Report – Autumn 2025). However, a notable structural shift has occurred in the composition of new mortgage lending, with a marked increase in the share of mortgages with an investment character since early 2024, which exhibit higher risk characteristics.</p> <p>Against this background, the CNB considers the policy response to be sufficient and appropriately targeted. Rather than introducing legally binding measures for all participants in the mortgage market, which could entail unintended effects on the general economy and higher regulatory costs, the CNB has opted for a focused approach addressing a narrowly defined segment of potentially riskier loans. This targeted response is assessed as adequate to mitigate emerging cyclical risks while avoiding disproportionate impacts on mortgage lending, bank profitability and the real economy.</p>
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5.2	Consistency of application of the policy response	<p>In line with the Act on the CNB, the policy response is applied consistently within the CNB's macroprudential framework by addressing an increase in systemic risk arising in a specific segment of mortgage lending that is not sufficiently captured by the existing measures. The applied measure is fully consistent with the existing LTV limit, as it represents a targeted extension of this instrument by focusing on a narrowly defined group of potentially riskier loans. As such, the policy response complements the current macroprudential toolkit while preserving proportionality and consistency in the application of borrower-based measures.</p>
5.3	Non-overlap of the policy response	<p>The measure does not overlap with the existing instruments. While the general LTV limit remains in place, the stricter LTV limit for a narrowly defined higher-risk segment represents a complementary tightening aimed at addressing specific vulnerabilities. The newly introduced DTI limit targets a different risk channel and is therefore non-overlapping with the existing LTV limit and other recommendations. In order to avoid an overlap between borrower-based income-related constraints, a DSTI limit was not introduced, as the DTI limit is assessed to sufficiently capture the relevant risks in the targeted segment. Overlap with capital-based measures is not observed, as the new measure is targeted to a specific segment, whereas the currently applicable capital-based measures are of a broad nature.</p>
<p>6. Cross-border and cross-sector impact of the measure</p>		

6.1	<p>Assessment of cross-border effects and the likely impact on the Internal Market (Recommendation ESRB/2015/2²)</p>	<p>Cross-border effects are not expected, given the measure is focused on domestic credit market only.</p>
6.2	<p>Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>Give the broad coverage of the measure (activity-based rather than entity-based), the leakages or regulatory arbitrage are not probable.</p>
6.3	<p>Request for reciprocation</p>	<p>Not requested</p>

² 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).

6.4	Justification for the request for reciprocation	
7. Miscellaneous		
7.1	Contact person(s)/mailbox at notifying authority	Adam Kučera, adam.kucera@cnb.cz , +420 705 864 048.
7.2	Any other relevant information	Please visit the following webpage for more information: https://www.cnb.cz/en/financial-stability/macropredential-policy/requirements-for-ltv-dsti-and-dti-limits/
7.3	Date of the notification	16/12/2025