

## Template for notifying national macroprudential measures not covered by CRR/CRD

Please send this template to

- [notifications@esrb.europa.eu](mailto:notifications@esrb.europa.eu) when notifying the ESRB;
- [macropru.notifications@ecb.europa.eu](mailto:macropru.notifications@ecb.europa.eu) when notifying the ECB.

Emailing this template to the above-mentioned addresses constitutes an 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 electronically copying the information.

1. Notifying national authority and scope of the notification		
1.1	Name of the notifying authority.	Haut Conseil de stabilité financière (HCSF)
1.2	Name of the macroprudential measure that is notified.	Borrower-based measure: DSTI and maturity recommendation for housing loans
2. Description of the measure		
2.1	Description of the measure.	<p>On 27<sup>th</sup> January 2021, the HCSF formally adopted a recommendation (recommendation R-HCSF-2021-1) on RRE lending in France. This recommendation follows the 20<sup>th</sup> December 2019 recommendation R-HCSF-2019-1.</p> <p>The recommendation reminds credit institutions and financing companies to be prudent in their lending practices regarding housing loans in France.</p> <p>Therefore, credit institutions and financing companies are recommended to ensure that, for new RRE loans (excluding renegotiations, refinancing of outstanding housing loans and credit consolidation) i) DSTI does not exceed 35% and ii) loan maturity does not exceed 25 years. While the maximum amortization period is fixed at 25 years, a grace period of up to 2 additional years can be added to these 25-years maturity in cases when there is a lag between the disbursement of the loan and the date when it is possible to move in (the lag being related to construction or heavy renovation works).</p> <p>The recommendation provides for a flexibility margin of up to 20% of the amount of new quarterly issued RRE loans (excluding renegotiations, refinancing of outstanding housing loans and credit consolidation) that can depart from to the aforementioned criteria. At least 80% of this flexibility is</p>

		<p>reserved to loans to occupying owners (i.e. non-compliant lending to buy-to-let investors is capped at 20% of allowed flexibility) and at least 30% of the flexibility reserved to first-time buyers of their primary residence. The HCSF will closely monitor the risk profile of the borrowers benefiting from this flexibility, especially regarding the DTI.</p> <p>Renegotiations, refinancing of outstanding housing loans and credit consolidation are excluded from the scope of the recommendation. However, the HCSF encourages credit institutions to make sure that these operations usually lead to a reduction of the DSTI.</p>
2.2	Legal basis and process of implementation of the measure.	<p>This measure takes the form of a recommendation by the HCSF based on article L.631-2-1 3° of the French Monetary and Financial Code.</p> <p>The compliance will be monitored with the monthly ACPR reporting on housing lending conditions that has been amended to take into account the new parameters of the recommendation.</p> <p>Building on this recommendation, the HCSF intends to adopt a binding measure (form to be decided) by summer 2021.</p> <p>The recommendation is complemented with a set of definitions ensuring a better standardization in the calculation of the DSTI (e.g. accounting for expected rents or taking into account borrower insurance).</p>
2.3	Coverage	<p>This recommendation is addressed to all credit institutions and financing companies under French law providing housing loans in France. It applies to new flows of housing loans.</p> <p>In accordance with the definitions of the mortgage credit directive, it also covers the population of borrowers beyond natural persons by including “sociétés civiles immobilières” which are a flexible and common legal form of companies set for real-estate purchase purposes by a private association of natural persons.</p>
2.4	Any other relevant information.	<p>The recommendation is available here:  <a href="https://www.economie.gouv.fr/files/files/directions_services/hcsf/HCSF_Recommandation_R-HCSF-2021-1.pdf">https://www.economie.gouv.fr/files/files/directions_services/hcsf/HCSF_Recommandation_R-HCSF-2021-1.pdf</a></p> <p>The definitions used can be found in the recommendation’s notice here:  <a href="https://www.economie.gouv.fr/files/files/directions_services/hcsf/HCSF_Notice_recommandation_R-HCSF-2021-1.pdf">https://www.economie.gouv.fr/files/files/directions_services/hcsf/HCSF_Notice_recommandation_R-HCSF-2021-1.pdf</a></p> <p>Beside, some changes were made to the existing reporting requirements.</p> <p>More information here: <a href="https://acpr.banque-france.fr/sites/default/files/media/2021/01/29/instruction-2021-i-02.pdf">https://acpr.banque-france.fr/sites/default/files/media/2021/01/29/instruction-2021-i-02.pdf</a>.</p>

<b>3. Timing</b>		
3.1	Timing of the decision	27 <sup>th</sup> January 2021
3.2	Timing of the publication	28 <sup>th</sup> January 2021
3.3	Disclosure	<p>The intention of the HCSF to adopt a new recommendation superseding its 20<sup>th</sup> December 2019 recommendation was announced following the 17<sup>th</sup> December meeting (see here <a href="https://www.economie.gouv.fr/files/2020-12/HCSF%2020201217%20Communiqu%C3%A9%20de%20presse_EN.pdf">https://www.economie.gouv.fr/files/2020-12/HCSF%2020201217%20Communiqu%C3%A9%20de%20presse_EN.pdf</a>) . On 27<sup>th</sup> January, the HCSF adopted the recommendation and its accompanying notice. On 28<sup>th</sup> January, a press release was issued (see here <a href="https://www.economie.gouv.fr/files/2021-01/HCSF_20210128_CP_recommandation.pdf">https://www.economie.gouv.fr/files/2021-01/HCSF_20210128_CP_recommandation.pdf</a> )</p> <p>On 29<sup>th</sup> January and following approval by the ACPR Board, the instruction regarding the new reporting requirements was published on the ACPR's website.</p>
3.4	Timing of the application	28 <sup>th</sup> January (no phase-in)
3.5	End date (if applicable)	No end date is planned.
<b>4. Reason for the activation of the measure</b>		
4.1	Description of the macroprudential risk to be addressed.	<p>Since its 20<sup>th</sup> December 2019 recommendation, the following elements were observed by the HCSF:</p> <ul style="list-style-type: none"> <li>- Interest rates on housing loans are close to their historical lows;</li> <li>- New housing loan production (excluding renegotiations and refinancing of outstanding housing loans) stayed close to a record level in 2020 (€192.4bn vs €193.0bn in 2019), despite the impact of the pandemic on housing credit activity. On a monthly basis, housing loan production hit an all-time high in September 2020, and again in October 2020;</li> </ul>

		<p>- The trend towards looser lending standards that was observed since 2016 showed early signs of reversing (decrease in the share of high DSTI housing loans and in the share of long maturity housing loans).</p> <p>The HCSF recalls that, by adopting this recommendation, its goal is to ensure safe lending practices, reconciling both a large access to credit and lending standards fostering financial stability and consumer protection.</p> <p>Moreover, the HCSF aims at preserving the French housing financing system, based on fixed rates, reasonable maturities and a prudent assessment of household credit risk.</p>
4.2	Description of the indicators on the basis of which the measure is activated.	<p>Many indicators were analysed (especially DSTI, maturity, production of housing loans, interest rates, household debt level), both at the macro level and the individual (bank) level, especially using banks reporting sheets sent to the ACPR to monitor the application of the HCSF 2019 recommendation.</p> <p>For more information on the HCSF's analysis, please see the HCSF December 2020 meeting annex to the press release (only in French, but an English version to come soon): <a href="https://www.economie.gouv.fr/files/2020-12/HCSF%2020201217%204-7%20annexe-CP.pdf">https://www.economie.gouv.fr/files/2020-12/HCSF%2020201217%204-7%20annexe-CP.pdf</a></p>
4.3	Effects of the measure.	<p>The broad objective of the measure is to ensure that credit growth is sound and sustainable. The measure (including flexibility) is expected to change borrowers' behaviour without restricting access to credit and impeding housing purchases.</p>
<b>5. Cross-border and cross-sector impact of the measure</b>		
5.1	Assessment of cross-border effects and the likely impact on the internal market (Article 133(11)(d) of the CRD IV and Recommendation ESRB/2015/2)	<p>As this recommendation is addressed to all credit institutions and financing companies under French law providing housing loans in France, no cross-border effect is foreseen. The HCSF will monitor this point. If deemed material, the issue of reciprocity will be re-examined, especially in the context of a binding measure.</p>

5.2	Assessment of leakages and regulatory arbitrage within the notifying Member State	<p>As this recommendation is addressed to all credit institutions and financing companies under French law providing housing loans in France, no cross-border effect is foreseen. The HCSF will monitor this point.</p> <p>The maturity cap ensures that banks and borrowers will not circumvent the DSTI limit by excessively extending the maturity of loans.</p> <p>Debt in the DSTI ratio refers to the total debt held by the borrower, which includes both housing and consumption loans. Therefore a potential risk of circumvention materializes if borrowers do not report their existing debt to lenders in order to be eligible for further borrowing. Our view at this stage is that this risk is mitigated by the fact that banks i) collect extensive information on borrowers before granting a housing loan (including bank account statements) and ii) can consult the national register of credit repayment incidents to screen individuals before granting them a loan.</p>
5.3	Request for reciprocation	No reciprocation requested for the recommendation.
<b>6. Miscellaneous</b>		
6.1	Contact person(s) at notifying authority.	<p>HCSF joint secretariat:</p> <p>Banque de France: <a href="mailto:secretariat.hcsf@banque-france.fr">secretariat.hcsf@banque-france.fr</a></p> <p>French Treasury: <a href="mailto:secretariat.hcsf@dgtresor.gouv.fr">secretariat.hcsf@dgtresor.gouv.fr</a></p>
6.2	Any other relevant information.	