

Finansinspektionen
Box 7821
SE - 103 97 Stockholm



SVERIGES RIKSBANK
SE-103 37 Stockholm
(Brunkebergstorg 11)

Tel +46 8 787 00 00
Fax +46 8 21 05 31
registratorn@riksbank.se
www.riksbank.se

DNR 2020-00452

YOUR REF FI Dnr 20-8061

Consultation response to the Proposal for general guidelines on exemptions from amortisation requirements on special grounds

08/04/2020

Finansinspektionen's previously introduced amortisation requirements have strengthened the resilience of households to various shocks. But the outbreak of the coronavirus and the measures considered necessary to delay the spread of infection have had a very negative effect on economic development in a short space of time, in both Sweden and other countries. In this situation, it is neither possible nor desirable to continue to strengthen households' resilience. Instead, the need of households for liquidity and to manage their own economic situation is increasing. The Riksbank therefore supports Finansinspektionen's proposal that extraordinary circumstances in the form of a very sharp downturn in the Swedish economy constitute special grounds as they are referred to in the amortisation regulations, and thereby provide justification to allow banks to temporarily grant exemptions to amortisation requirements. The Riksbank also agrees that the corona crisis entails such a substantial economic downturn that there are special grounds for a temporary exemption from amortisation requirements. However, the Riksbank wishes to highlight the structural risks associated with household indebtedness and the important part played by the amortisation requirement in the long-term resilience of households to economic shocks. The Riksbank therefore emphasises the importance of the exemption from amortisation requirements continuing to be temporary even in the future. In the Riksbank's view, it is also positive that credit assessment shall continue to take amortisation into account and that mortgage agreements shall state that mortgages shall normally be amortised in accordance with the requirements.

For many years, the Riksbank has been warning about the risks of high household indebtedness, most of which also consists of variable-rate loans, and emphasised the importance of taking measures to manage these risks. The Riksbank has therefore taken a positive view of Finansinspektionen's previously introduced amortisation requirements aimed at increasing the long-term resilience of households to various shocks.

The outbreak of the coronavirus and the measures considered necessary to delay the spread of infection have had a very negative effect on economic development in a short space of time, both in Sweden and other countries. It is very uncertain how deep and prolonged this downturn will be, but there are many indications that it will be extensive. In this situation, it is neither possible nor desirable to continue to strengthen households' resilience. Instead, households need greater scope to be able to manage their own economic situation. It is also important to increase households' disposable funds for consumption as this may help

facilitate an economic recovery in the longer term. The Riksbank therefore supports Finansinspektionen's proposal that extraordinary circumstances in the form of a very sharp downturn in the Swedish economy constitute special grounds as they are referred to in the amortisation regulations and thereby provide justification to allow banks to temporarily grant exemptions to amortisation requirements for existing and new mortgage borrowers. The Riksbank also shares Finansinspektionen's view that the corona crisis entails such a substantial economic downturn that there are special grounds for a temporary exemption from amortisation requirements.

The Riksbank would also like to point out that, in a longer-term perspective, it is important for households to revert to amortising their mortgages so as not to undermine the amortisation requirement. The Riksbank therefore emphasises the importance of the exemption from amortisation requirements always being temporary and of the exemption as a result of the corona crisis not continuing to apply once the Swedish economy has stabilised. This type of general exemption that does not relate to the finances of the individual should be reserved for extraordinary circumstances. It is also important that the rules for exemptions relating to the situation of an individual, such as loss of income due to unemployment, continue to be applied in the same way as before and are not undermined.

As the proposal specifies, the Riksbank also considers it important that credit assessment continues to take amortisation into account going forward and that mortgage agreements shall state that amortisation shall normally be done in accordance with the requirements.

On behalf of the Executive Board

Stefan Ingves

Eva Kaaman Modig

The following took part in the Executive Board's decision: Stefan Ingves, Anna Breman, Martin Flodén, Per Jansson, Henry Ohlsson and Cecilia Skingsley.

Report presented by Dilan Ölcer.