

DANMARKS NATIONALBANK

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LENDING SURVEY, 1ST QUARTER 2018

Tighter credit standards for housing loans

Almost half of the credit institutions in the lending survey report tightening of credit standards for private customers in the 1st quarter of 2018.

This corresponds to a substantial tightening of credit standards with a net figure of -40 (on a scale from -100 to 100), when weighing each institution's answer with their respective market share. This is the largest reported tightening during a single quarter in the survey's 10-year history.

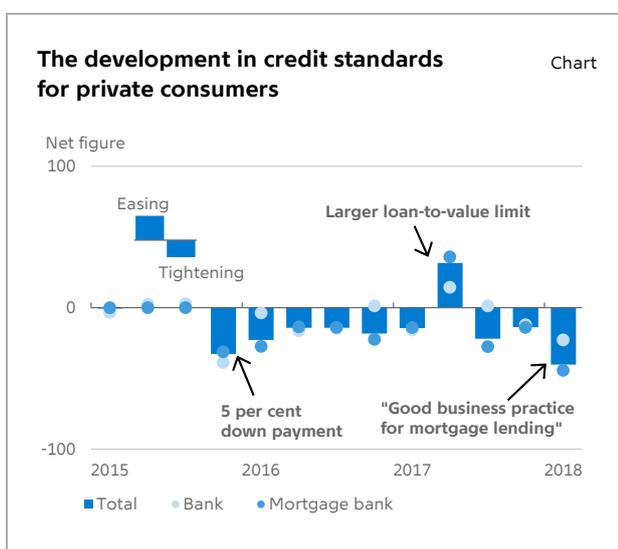
The tightening of the credit standards are especially pronounced among the large institutions – where housing loans make up a larger fraction of the balance sheet than for medium-sized banks.

Several institutions report that the tightenings are caused by the implementation of the "good business practice for mortgage lending", for precisely new housing loans. Among other things, the new regulations restrict the accessibility of floating rate housing loans with short-term interest-rate fixing for households with high debt or a high loan-to-value ratio, regardless of residential municipality.

The total outstanding amount of loans issued to Danish private customers was kr. 1,850 billion in February 2018, of which kr. 1,720 billion was for housing purposes.

The sector last reported a sharp tightening of credit standards in the 3rd quarter of 2015, in connection with the 5 per cent down payment requirement on new housing loans.

The sector also reports increasing losses on loans in the 1st quarter of 2018. The institutions report that this development is largely expected to be temporary. This is because the increase is a consequence of the one-time adjustment effect from the transition to the IFRS-9 accounting rules in January 2018. The new rules entail that reported losses shall be based on expected credit losses and not, as previously, on realized losses.



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