

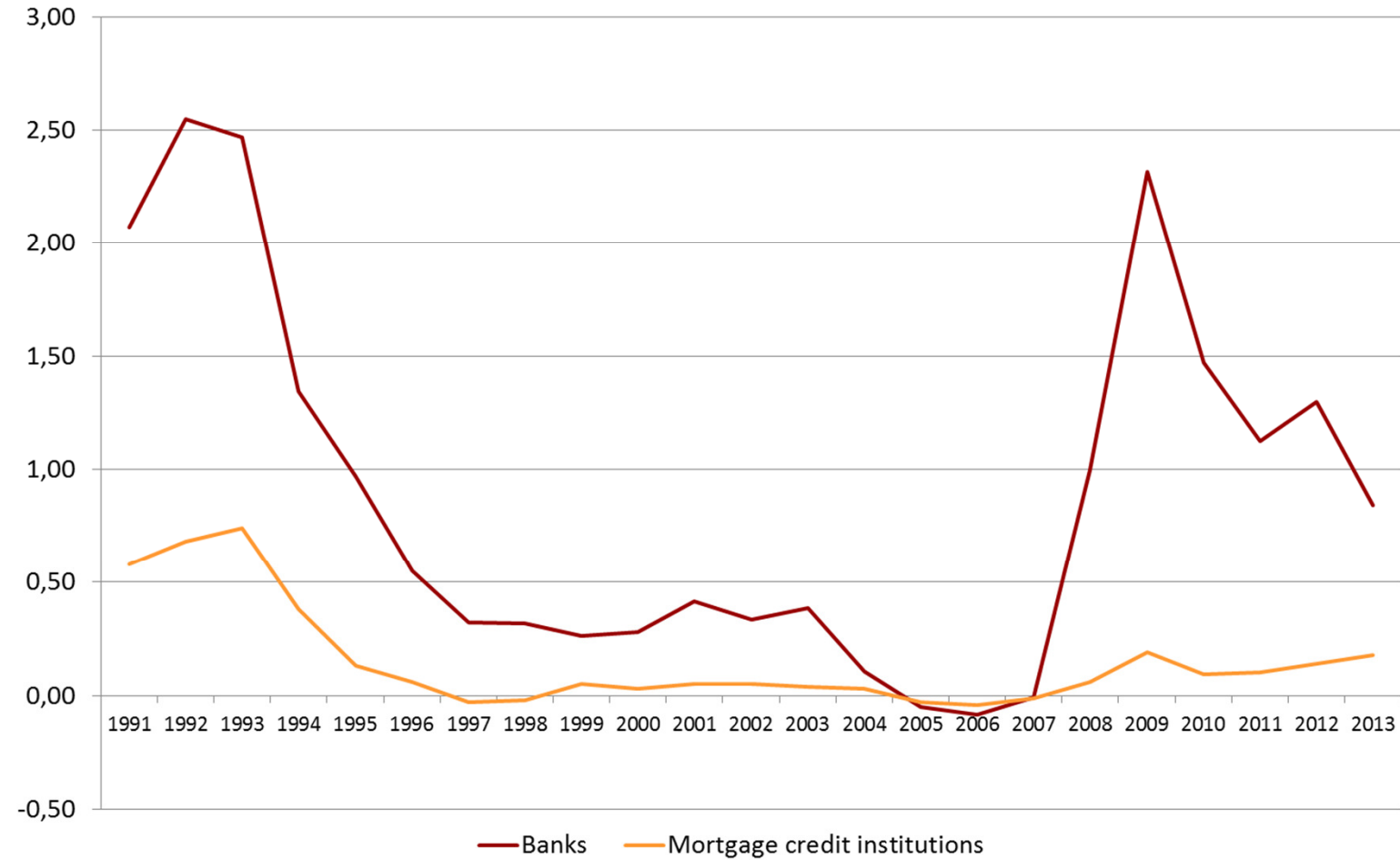
Household Debt and Economic Policy

Workshop on Household Debt - a challenge
for the future?

24.09.2014

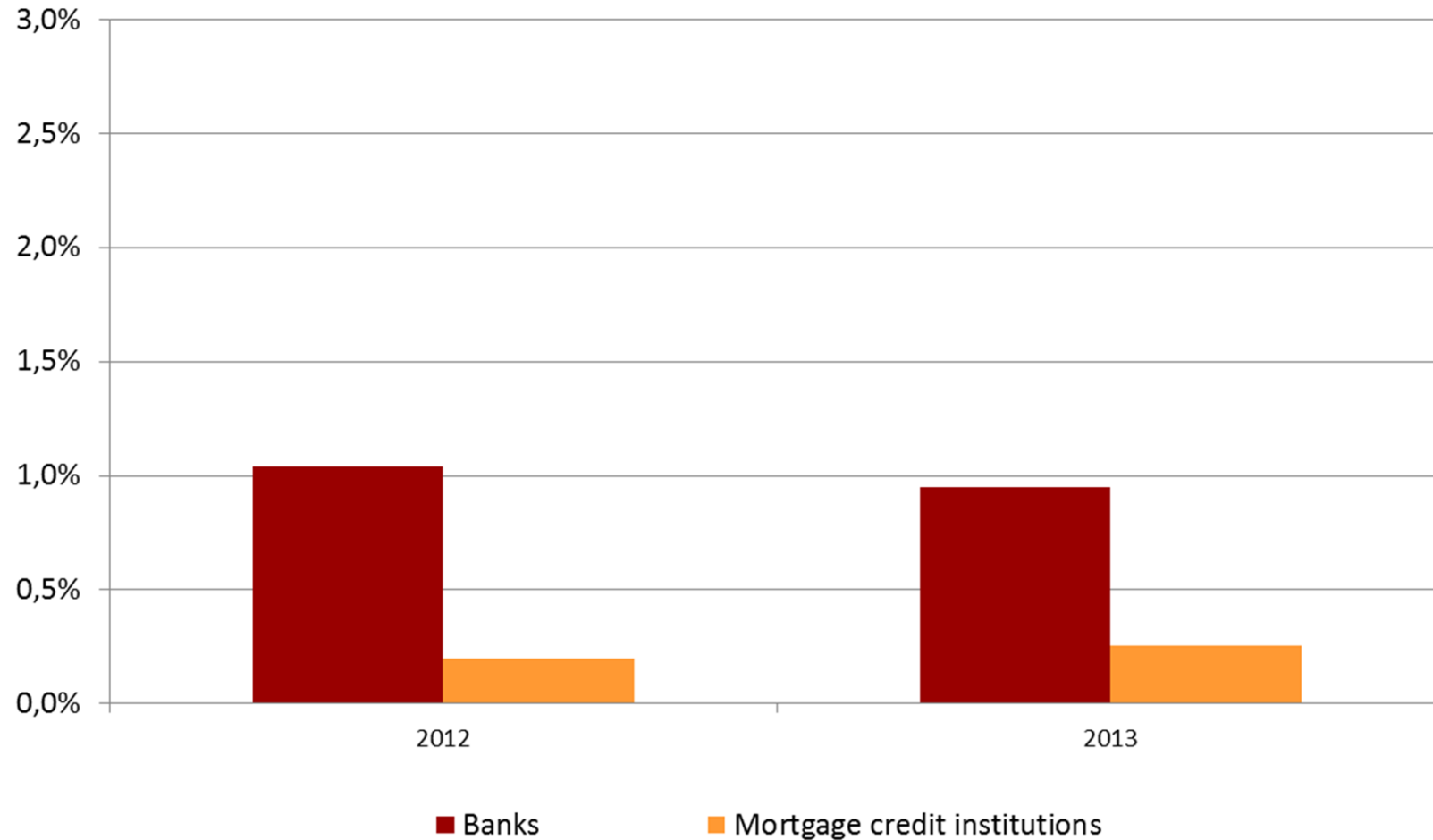
Impairment loss ratios of banks and mortgage credit institutions

% of loans and guarantees

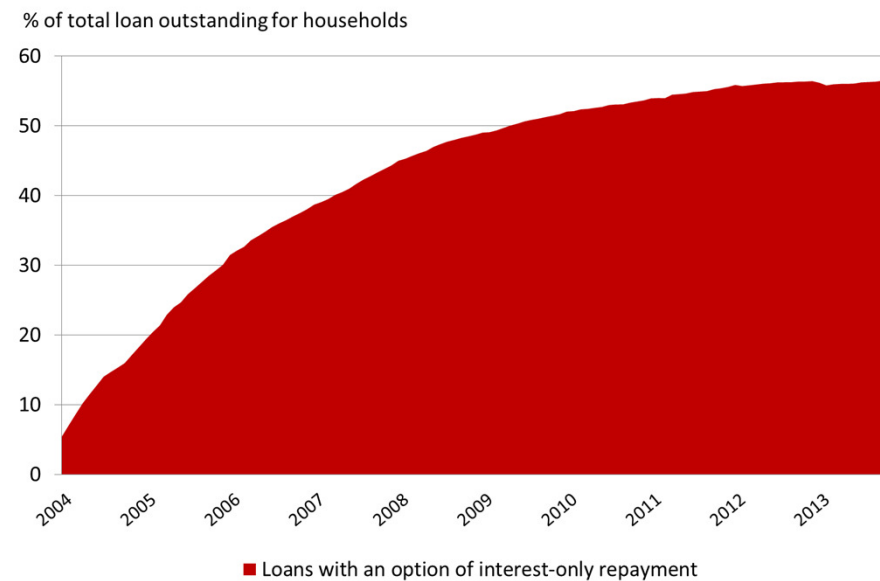
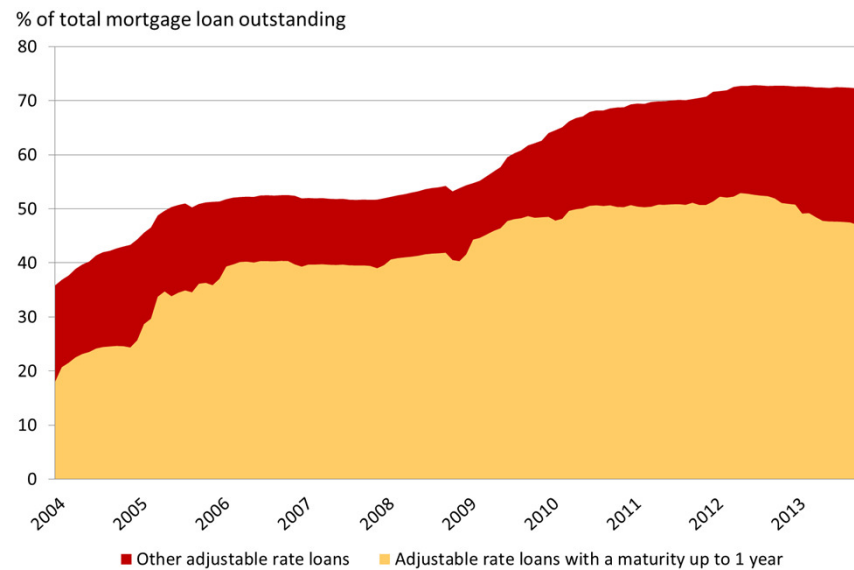


Impairment loss ratios of banks and MCIs for households

% of loans and guarantees for households



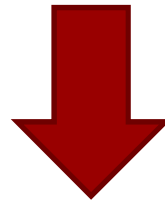
Changes in loan composition



Large increase in share of adjustable rate and interest only loans

Initiative – requirement when granting loans

Executive Order on Good Business Practice for Financial Undertakings, article 19

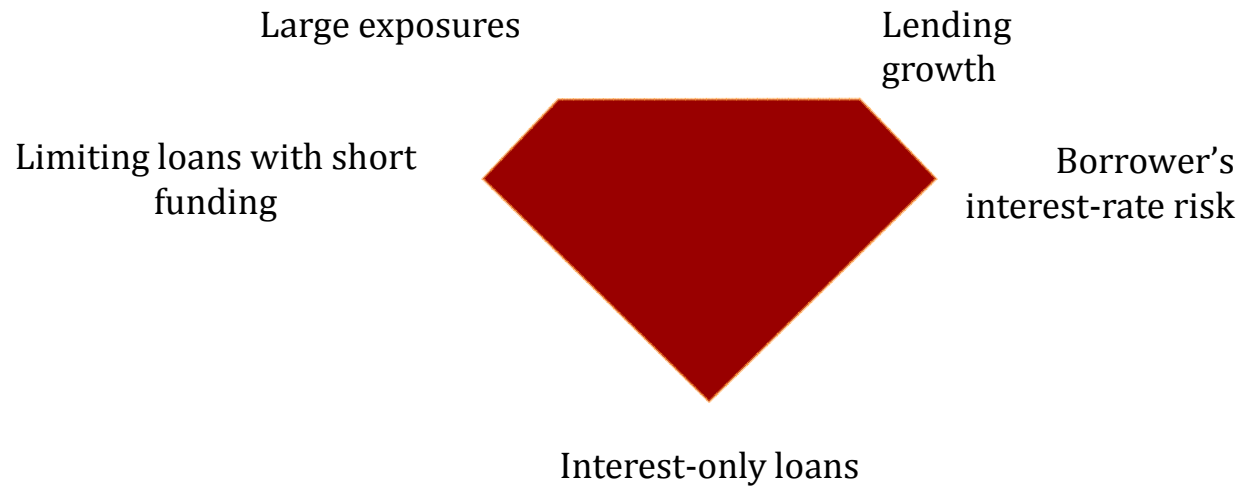


Credit institutions may only offer variable-rate loans to customers with a financial situation, which, in the assessment of the bank, implies that the customer can be approved for taking up a 30-year fixed-rate loan with amortisation.

Demands for disposable income – clients with normal creditworthiness

- A client with normal creditworthiness is characterized by a positive wealth, adequate disposable income and gearing ratio.
- The monthly disposable income for clients with normal creditworthiness must at least be:
 - 1 adult: 5,000 DKK
 - 1 couple: 8,500 DKK
 - + 2,500 DKK per resident child
- The gearing ratio for households must not exceed:
 - 3.5 for private property or second home
 - 1.75 for cooperative property
 - [0.3-0.75] for rented property

Initiative - Supervisory Diamond for Mortgage-Credit Institutions



Borrower's interest-rate risk

Benchmark in Supervisory Diamond

The percentage of loans in which LTV exceeds 75% of the LTV limit, and the interest rate is fixed for up to two years < 30%.

% of loans in which LTV exceeds 75 % of the LTV limit, and in which the interest rate is only fixed for up to 2 years

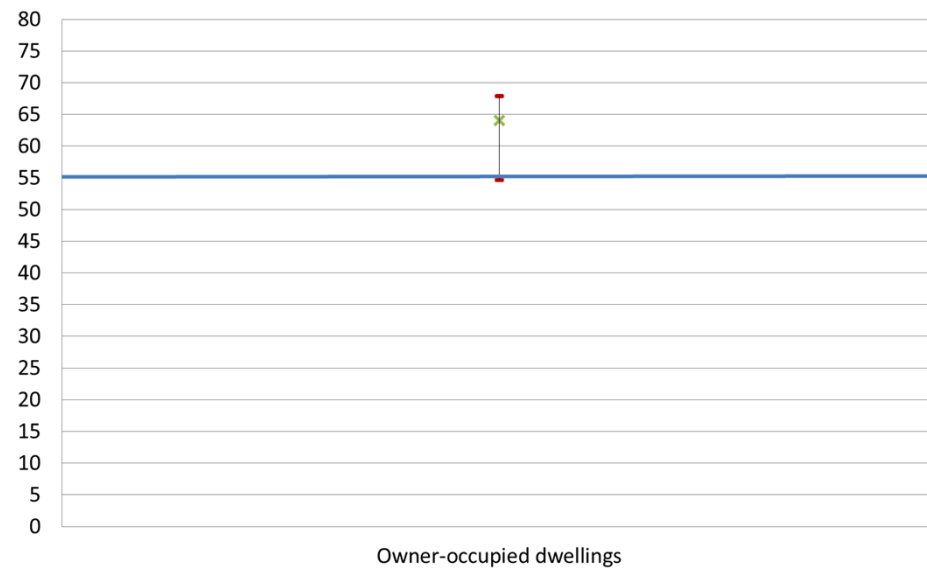


Interest-only loans

Benchmark in Supervisory Diamond

Percentage of interest only loans in the LTV bucket above 75% of the LTV limit < 55 pct.

% of lending in the LTV bucket above 75 pct. of the LTV limit



Initiative – 5 percent down payment

Requirement that home buyers will have to make a down payment of at least 5% when purchasing a home.



Increase the customers' financial robustness by testing their ability to save before purchasing

- Reducing the risk of taking on a mortgage that is too expensive
- Greater robustness against fluctuations in property prices

Just announced - Executive Order to be amended