

# Finansinspektionen's Regulatory Code

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**FFFS 2017:23**

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## **Regulations amending Finansinspektionen's regulations (FFFS 2016:16) regarding amortisation of loans collateralised by residential property;**

decided on 11 December 2017.

Finansinspektionen prescribes pursuant to Chapter 5, section 2, point 5 of the Banking and Financing Business Ordinance (2004:329) and following the Government's approval on 30 November 2017 (Ref. Fi2017/04301/B and Fi2017/04524/B) in respect of Finansinspektionen's regulations (FFFS 2016:16) regarding amortisation of loans collateralised by residential property

*in part* that current section 4 shall be designated section 9, current section 7 shall be designated section 8 and current sections 8–11 shall be designated sections 10–13,  
*in part* that sections 2 and 5 and the new section 8 shall have the following wording,  
*in part* that the heading immediately preceding current section 9 shall be placed immediately before the new section 11,  
*in part* that five new sections shall be introduced, sections 4, 7 and 14–16, with the following wording, and  
*in part* that a new heading shall be inserted immediately preceding section 9 with the wording, "Calculation of loan-to-value ratios and informational requirements".

**Section 2** In these regulations the terms and expressions shall have the following meanings.

1. *Loan-to-value (LTV) ratio*: The current total loan amount in relation to the market value of the residential property.
2. *Residential property*: A property, site-leasehold right or building that is not part of a property, which is intended for housing purposes for one or two families and a tenant-owner apartment or a freehold apartment intended for housing purposes.
3. *Mortgage*: A loan issued to one or several borrowers and collateralised by a residential property or the equivalent in Sweden.
4. *Gross income*: The following income for one or several borrowers who are responsible for paying the new loan:
  - a) the most recently assessed income from earnings in accordance with Chapter 1, section 5, second paragraph of the Income Tax Act (1999:1229), and
  - b) other income that is assured and permanent.

5. *Largest loan amount*: The total loan amount at its largest following the most recent valuation.

6. *Agricultural unit*: The same as in the Real Estate Tax Act (1979:1152).

7. *Market value*: The price that would be attained if a sale were carried out under market conditions with reasonable time allowed for negotiation. The market value shall be assessed without consideration for speculative and temporary conditions and established via an individual valuation. It shall be possible to base an individual valuation on general price levels or purchase prices.

8. *New loan*: A new credit or the extension of an existing credit secured by collateral or the equivalent in a residential property in Sweden.

If a borrower retains a loan, but replaces the residential property on which the loan is collateralised with another residential property in Sweden, the loan shall be considered to be a new loan.

A loan that has been secured by collateral or the equivalent in a residential property in Sweden and that, when the residential property is transferred, is taken over by the party acquiring the residential property, shall be considered to be a new loan.

9. *Loan-to-income (LTI) ratio*: The current LTI-based loan amount in relation to the current gross income.

10. *LTI-based loan amount*: The sum of

- a) a new loan, and
- b) other mortgages issued to the borrower who is responsible for paying the new loan.

If a mortgage referred to in b) has also be issued to a borrower who is not responsible for paying the new loan, its share of the mortgage shall not be included. The share shall be determined based on the number of borrowers.

Loans amortised in accordance with section 8 shall be included only if the undertaking makes the assessment that the loans shall be amortised in accordance with section 5.

A mortgage collateralised by an agricultural unit shall not be included.

11. *Total loan amount*: The total amount of loans, including new loans, granted by one or more undertakings in exchange for security in the form of collateral or the equivalent on the same residential property. Loans amortised in accordance with section 8 shall be included in the total loan amount only when the undertaking makes the assessment that the loans shall be amortised in accordance with section 5.

**Section 4** An undertaking shall calculate a loan-to-value ratio when issuing a new loan.

When issuing new loans after 28 February 2018, the undertaking shall also calculate a loan-to-income ratio for natural persons. The firm shall calculate a new loan-to-income ratio if one or more of the borrowers who raised such a loan will no longer be responsible for repaying the loan, and this change is the result of any cause other than the passing of the borrower.

**Section 5** If the loan-to-value ratio exceeds 50 per cent, or the loan-to-income ratio exceeds 450 per cent, the new loan shall be amortised. Sections 11–16 contain provisions regarding exemptions from the amortisation requirement.

The amortisation amount shall be set at

1. the total of the amounts that shall be amortised in accordance with sections 6 and 7, or
2. the amounts that shall be amortised in accordance with section 8.

If the new loan replaces but does not exceed one or more loans that were previously issued to the same borrower and collateralised against the same residential property, an undertaking may allow the new loan to instead be amortised in accordance with the terms of each previously issued loan. The same applies if the new loan is taken to pay the pre-payment penalty that applies to such a previously issued loan.

**Section 7** If the loan-to-value ratio exceeds 450 per cent, the total amount of the new loans shall be amortised annually by an amount that as a minimum corresponds to one per cent of the largest loan amount.

**Section 8** When granting a new loan to a borrower for whom a loan was issued prior to 1 March 2018, and where the new loan is collateralised by the same residential property as the existing loan, an undertaking may allow the borrower, instead of amortising in accordance with sections 6 and 7, to amortise the new loan by at least 10 per cent of the original amount of the new loan per year.

**Section 14** An undertaking, when issuing a new loan for the purchase of a residential property, may allow exemptions from such amortisation as set out in section 7 where

1. the borrower previously has had a housing loan collateralised by another residential property than the one being purchased and the borrower intends to settle this loan, and
2. the loan-to-income ratio exceeds 450 per cent only as a result of loans that will be settled in connection with the sale of the residential property referred to in point 1.

An exemption to the first paragraph may not be granted for a period longer than six months.

**Section 15** An undertaking, when issuing a new loan, may grant exemptions from such amortisation as set out in section 7 where

1. the new loan is issued for the purchase or construction of the residential property that is used as collateral for the loan, and
2. agreements for the purchase or construction of the residential property were entered into prior to 1 March 2018.

**Section 16** For new loans that replace loans issued prior to 1 March 2018, in the event of a change in ownership under which only a part of the residential property changes owner, an undertaking may grant exemptions from such amortisation as set out in section 7. The exemption may only apply to the part of the new loan that does not exceed the loan it replaces.

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These regulations shall enter into force on 1 March 2018.

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