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

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- notifications@esrb.europa.eu when notifying the ESRB;
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1. Notifying national authority and scope of the notification		
1.1	Name of the notifying authority.	Národná banka Slovenska
1.2	Name of the macroprudential measure that is notified.	1. Limit on debt to income ratio for both housing loans and consumer loans 2. Tightening LTV limits for housing loans
2. Description of the measure		
2.1	Description of the measure.	**1. Limit on debt to income ratio for both housing loans and consumer loans** **Total borrower's indebtedness** (including both new and existing loans) **cannot exceed 8-times his or her yearly net disposable income** (phase-in applies)**.** **2. Tightening LTV limits for housing loans** (both measures apply in parallel) a) LTV cannot exceed 90 % b) Maximum share of new loans with LTV > 80 % cannot exceed 20 % (decrease from 40 %, phase-in applies)
2.2	Legal basis and process of implementation of the measure.	All measures are adopted in the form of amendment of binding NBS Decree No 10/2016, laying down the details of its assessment of the consumer's ability to repay a housing loan and of NBS Decree No 10/2017, laying down the details of its assessment of the consumer's ability to repay a consumer loan. The decree has been adopted in accordance with Article

		8 (16) of the Act No 90/2016 Coll. on housing loans as amended and in accordance with Article 7 (41) of the Act No 129/2010 Coll. on consumer credits and other credits and loans for consumers and on amendments and supplements to certain laws as amended.
2.3	Coverage	**Exposures:** All new housing loans in accordance with Act on housing loans and all new consumer loans in accordance with Act on consumer loans, except refinancing loans without a significant top-up (i.e. top-up less than both 5 % and 2000 €). **Institutions:** All institutions providing housing loans or consumer loans (banks as well as non-banks)
2.4	Any other relevant information.	The measures are further underpinned by additional qualitative requirements included in both Decrees, notably in the area of verification of existing loans in credit registers and existing rules on income declaration, income verification and internal RRE appraisal standards.
3. Timing		
3.1	Timing of the decision	29 May 2018
3.2	Timing of the publication	First half of June 2018 (tbc)
3.3	Disclosure	**Communication with stakeholders:** Several rounds of intense discussions over the period of 5 months with all relevant stakeholders (most notably, associations of banks as well as non-banking lenders and Ministry of Finance) have taken place and numerous comments were taken into account, including the proper design of phase-in arrangements. **Communication with general public:** Public consultation was held in March 2018. A detailed reasoning, description and impact assessment is

		included in the forthcoming May 2018 FSR. During spring period, extensive communication with journalist community, including publication of FAQs, has been conducted.
3.4	Timing of the application	**1. Limit on debt to income ratio for both housing loans and consumer loans** Date of activation: 1 July 2018 Phase in: Share of new loans with DTI > 8 cannot exceed 1 July 2018 – 31 September 2018: 20 % 1 October 2018 – 31 December 2018: 15 % 1 January 2018 – 30 June 2019: 10 % From 1 July 2019: 5+5 % From 1 July 2019, the share of new loans with DTI > 8 can exceed 5 % (up to 10 %) only for loans granted to young clients (up to 35 years, income < 1.3x average) with DTI < 9. **2a. Tightening LTV limits for housing loans** Date of activation: 1 July 2018 Phase in: No phase-in arrangements are applicable to limit 2a (see Q 2.1). Limit 2b is phased-in as follows: Share of new loans with LTV > 80 % cannot exceed 1 July 2018 – 31 September 2018: 35 % 1 October 2018 – 31 December 2018: 30 % 1 January 2018 – 30 June 2019: 25 % From 1 July 2019: 20 %.
3.5	End date (if applicable)	Not applicable.
4. Reason for the activation of the measure		

4.1	Description of the macroprudential risk to be addressed.	The main vulnerability in the Slovakian housing market is related to the household stretch, in particular rapid credit growth leading to increasing indebtedness of Slovakian households, although it still remains below EU average. In addition, vulnerabilities related to household stretch could be further amplified by low financial asset-to-debt ratio. Furthermore, there is some evidence that indebtedness is concentrated in certain age and income cohorts. The previous macroprudential measures adopted by the NBS have already been quite effective in stopping a decline in lending standards. However, the low interest rate environment and the positive economic situation (with risks of overheating) have continued to support the increasing indebtedness. The current growth rate of indebtedness may be considered excessive. In response to these developments, additional measures need to be taken. Moreover, although the risks associated with the further release of credit standards have been mitigated by the adoption of previous measures, some of the limits remain relatively lose in international comparison, suggesting a need for their further tightening. The international institutions, including the International Monetary Fund, have repeatedly highlighted the above risks.
4.2	Description of the indicators on the basis of which the measure is activated.	Household loan growth rates have been basically above 10% since the outbreak of the financial crisis for the past two years. Slovakia has recorded the highest year-on-year growth of loans across the EU for more than six years. During this period, the volume of loans almost doubled. All other countries recorded a significantly lower increase (below 50 %), with EU average below 10 %. Credit growth remains high (11.3 % as of April 2018), despite some stabilization that could have been recorded since March 2017. RRE price growth has picked up since late 2014, following an earlier boom/bust cycle but has moderated recently. The phase-in process has been calibrated based on the

		prevailing market situation. The share of loans with DTI ratio above 8 was 19 % and the share of loans with LTV ratio above 80% was at the level of 33 % in Q4 2017.
4.3	Effects of the measure.	The main purpose of the measures is to contribute to the moderation of risks related to high growth of household indebtedness and address the accumulated imbalances in the property market. As a result of the measures, retail lending growth should slow by about 0.5 – 1.4 pp. The importance of the DTI limit is mainly reflected by the mitigation of the risk of excessive debt growth in case of continuing fall in interest rates and the increase in income related to the increasing risk of overheating the labour market and the economy. Growth of the maximum potential indebtedness should be mode in line with the expected growth of household income.
5. Cross-border and cross-sector impact of the measure		
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)	Cross-border effects are not expected. The measures are directly applicable to all new housing loan contracts or consumer loan contracts within Slovak jurisdiction, irrespective of whether the lender is domestic or foreign. In addition, housing loans to Slovak households provided in abroad are virtually non-existing. In addition, we do not expect any shift from domestic lending activities to abroad or vice versa as a result of the measures taken.
5.2	Assessment of leakages and regulatory arbitrage within the notifying Member State	Potential leakages should be prevented, given that the Decrees are directly applicable and binding to all providers of housing loans and consumer loans. On the other hand, the DTI is currently not applicable to so called pre-approved consumer loans, i.e. loans where the loan amount is set in a pre-approval process that does not involve the active participation of the customer and is based on the bank's internal or external historical data about the customer's financial situation. The

		cancellation of this exception has already been initiated.
5.3	Request for reciprocation	**Reciprocation:** Not requested (see the explanation described in Q 5.1)
	6. Miscellaneous	
6.1	Contact person(s) at notifying authority.	Marek Ličák Director of the Macroprudential Policy Department +421 2 5787 2863 marek.licak@nbs.sk
6.2	Any other relevant information.	This is a formal notification of the measures adopted. Before the adoption, extensive communication with both ECB and ESRB has taken place and the measures are already fed into the latest ECB Macroprudential Report.