

FINANSTILSYNET
The Financial Supervisory Authority of Norway

Translation update as of September 2019

This translation is for information purposes only. Legal authenticity remains with the official Norwegian version as published in Norsk Lovtidend.

**Regulations on requirements for new residential mortgages
(residential mortgage lending regulations)**

Regulations 19 June 2018 no. 906

Adopted by the Ministry of Finance on 19 June 2018 pursuant to Act no. 17 of 10 April 2015 on financial institutions and financial groups (Financial Institutions Act), Section 1-7.

Section 1. *Scope*

The regulations apply to financial institutions offering mortgages secured on residential property, including mortgages secured on holiday homes. The regulations also apply to foreign financial institutions that carry on business in Norway pursuant to the Financial Institutions Act, Sections 5-2, 5-3 and 5-6.

Sections 3, 4, 7 and 8 of the regulations do not apply to equity release agreements that expressly state that the financial institution shall cover the difference if the total loan exceeds the value of the residential property on the due date. In this context, an equity release agreement means an agreement to grant a residential mortgage backed by an amount stemming from the future sale of the property, where the loan amount is not due for payment before one or more agreed life events occur.

Section 2. *Documentation of credit assessment*

The financial institution shall document that the granting of a residential mortgage is based on a prudent credit assessment utilising supplementary information about the borrower's income, total debt and the value of the property provided as collateral.

Section 3. *Debt servicing capacity*

The financial institution shall calculate a borrower's ability to service the loan based on the borrower's income and all relevant expenses, including interest, loan instalments and normal living expenses.

When assessing the borrower's servicing capacity, the financial institution shall factor in an interest rate increase of 5 percentage points from the prevailing interest rate level. In the case of fixed interest loans, a corresponding interest rate increase must be factored in from the end of the fixed-rate period. If the borrower lacks sufficient resources to meet normal living expenses after a 5 percentage point interest rate increase, the loan shall not be granted.

Section 4. *Debt-to-income ratio*

A mortgage shall not be granted if the borrower's overall debt exceeds five times annual income. In this context, annual income means personal income as defined in the Taxation Act, alternatively ordinary income before the minimum standard deduction and personal allowance. Tax-exempt income can nevertheless be included if such income can be documented and is stable over time.

Section 5. *Loan-to-value ratio*

At the time of granting, instalment loans secured on residential property shall not exceed 85 per cent of the property's appraised value, which cannot be higher than its prudently assessed market value.

The first subsection does not apply to mortgages secured on a second home in the municipality of Oslo. At the time of granting, such instalment loans shall not exceed 60 per cent of the property's value, calculated in accordance with the first subsection.

At the time of granting, interest-only loans (lines of credit) shall not exceed 60 per cent of the property's value, calculated in accordance with the first subsection.

All loans secured on residential property shall be included in the calculation of the loan-to-value ratio, including joint debt in housing cooperatives and jointly owned properties.

Section 6. *Additional collateral etc.*

When calculating the loan-to-value ratio in accordance with Section 5, the value of the property may be supplemented by satisfactory additional collateral in the form of a lien on other real property, a surety or a guarantee.

Funds in the customer's home savings scheme for young people (BSU) at the time of granting can be deducted from the loan amount when calculating the loan-to-value ratio.

Section 7. *Instalment payments*

For loans in excess of 60 per cent of the property's value, annual repayments must at minimum amount to 2.5 per cent of the approved loan or to the instalment payments that would have been required on an annuity loan with a 30-year repayment period if these are lower.

The first subsection does not preclude the financial institution from granting deferment of instalment payments as a result of subsequent events that are expected to be of a temporary nature.

Section 8. *Flexibility*

Financial institutions may grant loans in breach of one or more of the requirements of Sections 3, 4, 5 and 7 for up to 10 per cent of the value of total loans granted each quarter. The first subsection does not apply to mortgages secured on residential property in the municipality of Oslo. Each quarter, financial institutions may grant mortgages secured on residential property in the municipality of Oslo that do not meet one or more of the requirements of Sections 3, 4, 5 and 7 for up to 8 per cent of the value of total mortgages granted in the municipality of Oslo, alternatively for up to NOK 10 million.

In calculations according to the first and second subsection, equity release agreements shall not be included in the value of loans granted.

The granting of loans as set forth in the first and second subsection shall be within the limits and guidelines established by the institution's Board of Directors, or by the management of foreign branches.

Each quarter, financial institutions are required to report to the Board of Directors, or to the management of foreign branches, the proportion of approved loans that has been granted in accordance with this Section.

Section 9. *Refinancing*

These regulations do not preclude replacing mortgages by new loans (refinancing) where the new loan is in breach of one or more of the requirements of Sections 3, 4, 5 and 7, provided that the new loan:

1. does not exceed the size of the existing loan at the refinancing date,
2. is secured on the same residential property,
3. has a term that does not exceed the residual term on the existing loan, and
4. carries the same, or more stringent, requirements on instalment payments as the existing loan.

Loans that are refinanced in accordance with the first subsection shall not be included when calculating the value of loans granted pursuant to section 8.

Section 10. *Supplementary provisions*

Finanstilsynet may provide supplementary provisions to the regulations.

Section 11. *Entry into force*

The regulations enter into force on 1 July 2018 and will apply up to and including 31 December 2019.