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**Finansinspektionen's regulations  
regarding amortisation of loans collateralised by residential  
property;**

**FFFS 2016:16**

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decided on 16 May 2016.

Pursuant to Chapter 5, section 2, point 5 of the Banking and Financing Business Ordinance (2004:329) and following powers granted by the Government on 12 May 2016 (Ref. Fi2016/01581/B and Fi2016/01888/B), Finansinspektionen prescribes the following.

**Scope and definitions**

**Section 1** These regulations shall apply to

1. joint stock banks,
2. savings banks,
3. members' banks,
4. credit market companies, and
5. credit market associations.

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

1. *Loan-to-value 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 tenant-owner apartments or freehold apartments intended for housing purposes.
3. *Highest loan amount*: The total loan amount at its maximum following the most recent valuation.
4. *Creditor*: The same as in section 2 of the Consumer Credit Act (2010:1846).
5. *Agricultural unit*: The same as in the Real Estate Tax Act (1979:1152).
6. *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.
7. *New loan*: A new loan or the extension of an existing loan 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 collateralised by a pledge or the equivalent on a residential property in Sweden and that, when the residential property is transferred, is taken over by the party acquiring the residential property, this shall be considered to be a new loan.

8. *Total loan amount:* The total amount of the loan, including new loans, granted by one or more undertakings in exchange for collateral in the form of a pledge or the equivalent on the same residential property. Loans amortised in accordance with section 7 shall be included in the total loan amount only if an assessment is made that the loans shall be amortised in accordance with section 5.

### **Amortisation requirement for loans secured by collateral in the form of a pledge or the equivalent on a residential property**

**Section 3** When granting a new loan, an undertaking may only grant or extend a loan if the borrower undertakes to amortise the loan as a minimum in accordance with these regulations.

**Section 4** In its calculation of the loan-to-value ratio, an undertaking shall use the market value that applied when the residential property was acquired. The undertaking may instead use the market value determined during a later revaluation for the calculation of the loan-to-value ratio.

A revaluation according to the first paragraph may be performed at the earliest five years after the residential property was acquired or following the last revaluation that resulted in a change in the amortisation amount. However, a revaluation may be performed earlier than this if there has been a material change in the residential property's market value for reasons other than the general development on the market for residential properties.

The undertaking shall ensure that requisite information used in the valuation can be transferred to the borrower and to undertakings designated by the borrower.

**Section 5** If the loan-to-value ratio exceeds 50 per cent, new loans shall be amortised. The amortisation amount shall be determined in accordance with section 6 or 7.

**Section 6** If the loan-to-value ratio exceeds 70 per cent, the total amount of the new loan shall be amortised annually by an amount that as a minimum corresponds to two per cent of the highest loan amount.

If the loan-to-value ratio exceeds 50 per cent but is less than 70 per cent, the total amount of new loan shall be amortised annually by an amount that as a minimum corresponds to one per cent of the highest loan amount.

**Section 7** When granting a new loan to a borrower who has entered into an agreement for an existing loan before these regulations entered into effect, and 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 section 6, to amortise the new loan by at least ten per cent of the original amount of the new loan per year.

**Section 8** An undertaking shall inform the borrower in writing about the information that served as a basis for the calculation of the amortisation requirement.

### **Exemptions from the amortisation requirement**

**Section 9** An undertaking may allow a borrower not to amortise in accordance with these regulations during a limited period if special grounds emerge during the term of the loan.

**Section 10** For new loans collateralised by a newly built residential property, an undertaking may allow new loans not to be amortised in accordance with these regulations for a period of at the most five years if the borrower is the first person to have acquired the newly built residential property. This also applies to new loans that replace loans used to finance production of the residential property and that are granted to the same borrower.

**Section 11** For new loans collateralised by an agriculture unit, an undertaking may allow the borrower not to amortise in accordance with these regulation.

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1. These regulations shall enter into force on 01 June 2016.
  2. “New loans” as set out in in section 2, point 7 do not refer to loans raised
    - a) before these regulations entered into force,
    - b) for acquisition or production of a residential property used as collateral for the loan, if the agreement regarding the acquisition or building of the residential property was entered into before these regulations entered into force,
    - c) after entry into force for the part of the loan that replaces but does not exceed an existing loan raised before entry into force of these regulations or a loan as referred to in point b, assuming that the loan is collateralised by the same residential property as the original loan, or
    - d) in order to pay the premature loan redemption penalty payable for an existing loan which is replaced by a new loan in accordance with point c.

New loans also do not refer to loans that, in the event of a change in ownership under which only a part of the residential property changes owner, replace loans raised before these regulations entered into force. However, this only applies to the part of the loans that are the same amount or less than the loans raised before entry into force of these regulations.

3. If a residential property used as collateral for the loan was acquired prior to the entry into force of these regulations, the calculation of the loan-to-value ratio, in addition to that prescribed by section 4, may be based on a valuation performed when the new loan is granted for the first time.

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