EUROPEAN CENTRAL BANK

EUROSYSTEM

OPINION OF THE EUROPEAN CENTRAL BANK

of 6 October 2025

on national macroprudential measures related to mortgage lending

(CON/2025/31)

Introduction and legal basis

On 27 August 2025 the European Central Bank (ECB) received a request from the Finnish Ministry of Finance for an opinion on a draft law amending the law on credit institutions and certain related laws (hereinafter the 'draft law').

The ECB's competence to deliver an opinion is based on Articles 127(4) and 282(5) of the Treaty on the Functioning of the European Union and Article 2(1), sixth indent, of Council Decision 98/415/EC[1], as the draft law relates to rules applicable to financial institutions insofar as they materially influence the stability of financial institutions and markets. In accordance with Article 17.5, first sentence, of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

1. Purpose of the draft law

1.1 The main purpose of the draft law is to amend provisions on certain macroprudential measures, namely borrower-based measures related to mortgage lending, in order to promote saving and investing, support housing trade and construction, make it easier to change housing, and make the regulation of financing for housing more flexible.

1.2 Currently loan-to-value (LTV) requirements applicable to mortgage loans granted by credit institutions and certain other creditors providing consumer loans limit the maximum amount of a mortgage loan relative to the available collateral to 90 % (or 95 % in the case of first-time buyers) of the fair value of the collateral. The draft law gives *Finanssivalvonta* (FIN-FSA, Financial Supervisory Authority), as the national macroprudential authority, the power to increase the LTV limit to 95 %[2]. The increase of the LTV ratio would be possible for the purpose of limiting an exceptional downturn of the housing market but only if it is not assessed to result in a significant increase in the risks related to financial stability.

1.3 In addition, the draft law increases the maximum loan period applicable to residential mortgages from 30 to 35 years. In each calendar quarter 10 % of the total amount of a lender's loans would be allowed to exceed the maximum limit[3].

1 Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions (OJ L 189, 3.7.1998, p. 42, ELI: http://data.europa.eu/eli/dec/1998/415/oj).

2 Draft Chapter 15, Section 11(3) of the Law on credit institutions (610/2014) and draft Section 14(3) of the Law on the registration of certain creditors and credit intermediaries (186/2023).

3 Draft Chapter 7a, Section 14a of the Law on consumer protection (38/1978).

1.4 Currently the maximum amount of a loan granted to a housing company for the construction of new residential properties is limited to 60 % of the debt-free sales price of the shares of the housing company offered for sale. The draft law would remove this limit from the law and replace it with a mechanism whereby the limit would be set between 60 to 70 % in a government decree[4].

1.5 Similarly, the current maximum 12-month limit for the amortisation-free period or a period of lower than regular amortisation of a housing company loan would be removed from the law and replaced with a mechanism whereby the limit would be set between 12 to 24 months in a government decree[5].

1.6 Finally, the 30-year maximum loan period for loans to housing companies laid down in the law would be replaced with a mechanism whereby the limit would be set between 30 to 35 years in a government decree. In each calendar quarter 10 % of the total amount of a lender's loans would be allowed to exceed the maximum limit[6].

1.7 According to the explanatory memorandum accompanying the draft law, adopting the measures related to housing company loans by means of a government decree allows the limits to be adjusted more flexibly in accordance with the economic cycle compared to setting the limits in legislation[7].

2. General observations

2.1 In its previous opinions on macroprudential oversight[8] the ECB expressed support for the design of effective macroprudential policy frameworks within Member States, in line with the guiding principles set out in Recommendation ESRB/2011/3 of the European Systemic Risk Board[9]. It should be highlighted that Regulation (EU) No 1092/2010 of the European Parliament and of the Council[10] indicates that national central banks should have a leading role in macroprudential oversight because of their expertise and their existing responsibilities in the area of financial stability. This principle is also upheld by the European Systemic Risk Board (ESRB)[11]. In addition, Recommendation ESRB/2011/3 recommends that, in the pursuit of its objective, the macroprudential authority is, as a minimum, operationally independent, in particular from political bodies[12]. The ECB notes that under Finnish law the power to adopt macroprudential measures is currently assigned to the FIN-FSA Board. The Board is composed of a minimum of five and a maximum of six members, three of whom are appointed on the basis of proposals by Suomen Pankki, the Ministry of Finance and the Ministry

4 Draft Chapter 15, Section 11a(1) of the Law on credit institutions (610/2014) and draft Section 15(1) of the Law on the registration of certain creditors and credit intermediaries (186/2023).

5 Draft Chapter 15, Section 11a(2) of the Law on credit institutions (610/2014) and draft Section 15(2) of the Law on the registration of certain creditors and credit intermediaries (186/2023).

6 Draft Chapter 15, Section 11a(3) of the Law on credit institutions (610/2014) and draft Section 15(3) of the Law on the registration of certain creditors and credit intermediaries (186/2023).

7 Chapter 8, page 29 of the draft government bill on the law amending the law on credit institutions and certain related laws.

8 See, for example, paragraph 2.1 of Opinion CON/2013/82 and paragraph 2.1 of Opinion CON/2022/8. All ECB opinions are published on EUR-Lex.

9 Recommendation ESRB/2011/3 of the European Systemic Risk Board of 22 December 2011 on the macro-prudential mandate of national authorities (OJ C 41, 14.2.2012, p. 1). See also paragraph 4.2 of Opinion CON/2013/82.

10 Recital 24 of Regulation (EU) No 1092/2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Board (OJ L 331, 15.12.2010, p. 1, ELI: http://data.europa.eu/eli/reg/2010/1092/oj).

11 See recital 7 and Section 1, Recommendation B, of Recommendation ESRB/2011/3. See also paragraph 2.7 of Opinion CON/2020/1.

12 See Section 1, Recommendation E, of Recommendation ESRB/2011/3.

of Social Affairs and Health, respectively. The Board members must be conversant with the activities of the financial markets. Decisions are taken by simple majority and the Chair of the Board has a casting vote in decisions on the adoption of macroprudential measures.

2.2 Based on the draft law, the new macroprudential measures related to loans granted to housing companies would be adopted by a decree issued by the government[13] instead of by decisions taken by the FIN-FSA Board. According to the explanatory memorandum accompanying the draft law the measures need to be adopted by a decree because the limits on the loans granted to housing companies are far-reaching by their social nature and important in principle[14]. The ECB notes that adopting the macroprudential measures related to housing company loans through a government decree risks conflict with the recommendation set out in Recommendation ESRB/2011/3 that, in the pursuit of its objective, the macroprudential authority is as a minimum operationally independent, in particular from political bodies[15]. Furthermore, Recommendation ESRB/2011/3 recommends Member States to ensure that the macroprudential authority has control over appropriate instruments for achieving its objectives. Where necessary, clear and expeditious procedures should be established for assigning instruments to the macroprudential authority[16]. However, the ECB refrains from making any further observations regarding the possible institutional implications for the FIN-FSA, as the national macroprudential authority, arising out of the requirement that the new macroprudential measures related to loans granted to housing companies would be adopted by a decree issued by the government instead of by decisions taken by the FIN-FSA Board[17]. Furthermore, it is for the Finnish authorities to consider the constitutional feasibility of granting the FIN-FSA Board the power to adopt these measures, rather than adopting them through a government decree.

2.3 The ECB observes that, from a financial stability perspective, an extension of the maximum maturity for both mortgages and housing company loans, as well as the possibility to increase the LTV limit in respect to all homebuyers, could lead to an increase in the demand for larger loans. This, in turn, could contribute to increased levels of indebtedness among households and housing companies. In the specific case of Finland, this warrants close monitoring as household indebtedness remains elevated both from a historical perspective and compared with other Member States, as highlighted by Suomen Pankki in its recent financial stability assessment[18]. With regard to any potential change to the LTV limit, the ECB has already noted in a previous opinion that the definition of collateral in Finland differs from the approach recommended in Recommendation ESRB/2019/8 of the European

13 Draft Chapter 15, Section 11a of the Law on credit institutions (610/2014) and draft Section 15 of the Law on the registration of certain creditors and credit intermediaries (186/2023).

14 Chapter 8, page 29 of the draft government bill on the law amending the law on credit institutions and certain related laws.

15 See Section 1, Recommendation E, of Recommendation ESRB/2011/3. See also paragraphs 3.1.3 and 3.1.4 of Opinion CON/2024/11.

16 See Section 1, Recommendation C, of Recommendation ESRB/2011/3.

17 See also paragraph 2.2 of Opinion CON/2016/18, paragraph 2.3 of Opinion CON/2017/14 and paragraph 2.3 of Opinion CON/2017/29.

18 See Suomen Pankki, 'Global upheaval – Financial stability at risk from power politics', 19 June 2025, available on Suomen Pankki's website at www.bofbulletin.fi .

Systemic Risk Board[19, 20]. Specifically, the Finnish definition allows for the inclusion of assets other than real estate as eligible collateral. Furthermore, the ECB observes that, based on available information regarding similar borrower-based measures implemented in other Member States, a relaxation of the limits for the LTV ratio and maximum loans' maturity would position Finland among the countries with the higher limits regarding this type of macroprudential measure. Finally, with regard to the proposal to entrust the government with the power to amend certain macroprudential measures related to loans granted to housing companies via decree depending on the economic cycle, the ECB recalls its recent statement calling on national macroprudential authorities to maintain the resilience of the banking sector. In this respect, the ECB has highlighted the importance of maintaining existing borrower-based measures to preserve sound lending standards via their role as structural backstops, where this is feasible in national legislation[21].

2.4 Finally, the ECB also notes that other factors, such as the renovation costs associated with ensuring that older dwellings comply with the relevant energy efficiency regulations, may increase the depreciation in the value of such properties. These considerations could also be relevant when macroprudential authorities evaluate the appropriateness of relaxing borrower-based measures.

This opinion will be published on EUR-Lex.

Done at Frankfurt am Main, 6 October 2025.

[signed]

The President of the ECB

Christine LAGARDE

---

19 Recommendation ESRB/2019/8 of the European Systemic Risk Board of 27 June 2019 on medium-term vulnerabilities in the residential real estate sector in Finland (OJ C 366, 30.10.2019, p. 29).

20 See paragraph 3.2 of Opinion CON/2022/8.

21 See ECB, Governing Council statement on macroprudential policies, 7 July 2025, available on the ECB's website at www.ecb.europa.eu .