



EUROPEAN CENTRAL BANK

EUROSYSTEM

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ECB-PUBLIC

OPINION OF THE EUROPEAN CENTRAL BANK

of 22 February 2016

on further amendments with respect to responsible lending requirements

(CON/2016/8)

Introduction and legal basis

On 23 December 2015, the European Central Bank (ECB) received a request from the Magyar Nemzeti Bank (MNB) for an opinion on a draft MNB decree (hereinafter the 'draft decree') amending MNB Decree 32/2014 (IX.10.) regulating the payment-to-income and loan-to-value ratios permitted in respect of consumer credit transactions.

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 the sixth indent of Article 2(1) of Council Decision 98/415/EC¹, as the draft decree relates to rules applicable to financial institutions insofar as they materially influence the stability of financial institutions and markets. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

1. Purpose of the draft decree

- 1.1 The draft decree amends MNB Decree 32/2014 regulating the payment-to-income (PTI) and loan-to-value (LTV) ratios permitted in respect of consumer credit transactions. The ECB was consulted and issued an Opinion on the draft of that decree on 23 June 2014². MNB Decree 32/2014 introduced caps on the PTI and LTV ratios used to establish the creditworthiness of consumers and their capacity to withstand adverse shocks due to exchange and interest rate movements.
- 1.2 As noted in the explanatory memorandum, the draft decree aims to ensure a smoother lending process and eliminate technical difficulties that financial institutions or borrowers might currently face. The new measures are expected to enter into force on 1 March 2016.
- 1.3 The main changes introduced by the draft decree concern certain specific exemptions from the use of the caps in respect of the PTI and LTV ratios. In addition, a lower weighting is proposed for the PTI ratio with respect to the regular instalments of mortgages with longer-term fixed interest rate periods. Some technical clarifications on the sources of certified net income and the definition of payment accounts are also made.

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).

² Opinion CON/2014/44. All ECB opinions are published on the ECB's website at www.ecb.europa.eu.

2. General observations

From a financial stability perspective, the ECB welcomes the measures of the draft decree to the extent that they aim at promoting responsible borrowing and lending, enforcing market discipline, reducing credit risk and increasing the transparency of credit institutions' activities. The ECB underlines the importance of a thorough quantitative impact assessment to verify the effect and appropriateness of the proposed amendments, as well as the regular review of the PTI and LTV ratios to take into account the implications of changes in macroeconomic and financial conditions. The scale of exemptions from the scope or specific provisions of MNB Decree 32/2014 should be proportionate to the overall objective to be achieved, which is to curb excessive lending to households and prevent over-indebtedness.

This opinion will be published on the ECB's website.

Done at Frankfurt am Main, 22 February 2016.

[signed]

The President of the ECB

Mario DRAGHI