



**ESRB**

European Systemic Risk Board

European System of Financial Supervision

**ECB- Restricted**

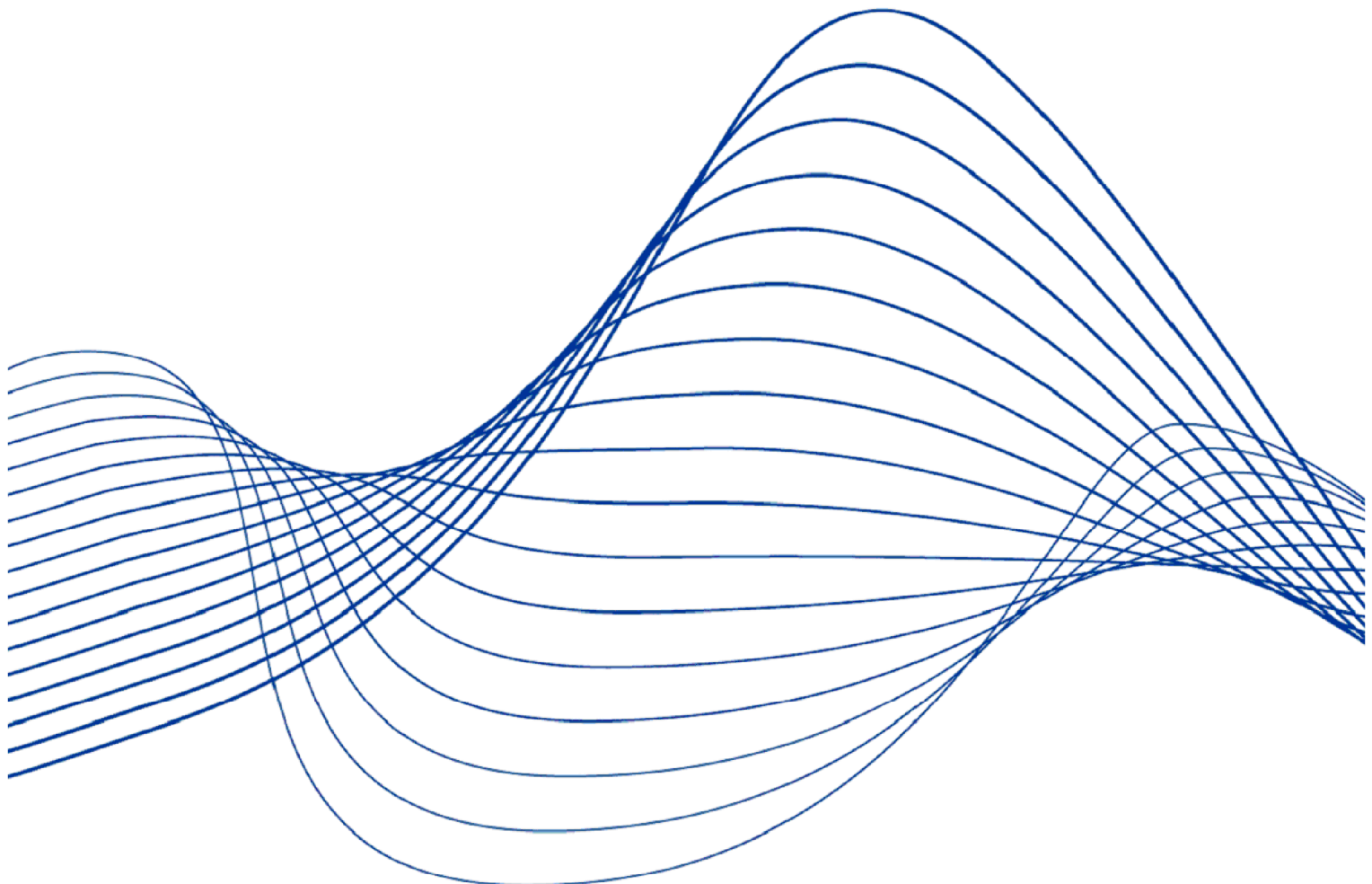
**Follow-up to the Recommendation ESRB/2019/7 on medium-term vulnerabilities in the residential real estate sector in the Netherlands**  
**Sub-recommendation B(1), Recommendation C and Recommendation D**

Reporting deadline: **31 October 2022**

Addressees:

**The Netherlands**

**The macroprudential authority, the designated authority or the competent authority in the Netherlands, as applicable**



## Introduction

<b>Legal instrument</b>	Recommendation ESRB/2019/7 on medium-term vulnerabilities in the residential real estate sector in the Netherlands
<b>Reporting Institution</b>	The Ministry of Finance
<b>Date of reporting</b>	31 October 2022
<b>Confidentiality regime*</b>	Public
<b>Name and contact details of the respondent</b>	<b>Name:</b> <input type="text" value="Persoonsgegevens"/> <b>E-mail:</b> <input type="text" value="Persoonsgegevens"/> <b>Tel:</b> <input type="text" value="Persoonsgegevens"/>

\* Please indicate the level of confidentiality you wish to apply to the responses provided herein.

### Timeline for completing the template and submitting the follow-up report

The purpose of this template is to request the Netherlands and the macroprudential authority, the designated authority or the competent authority, as applicable, in the Netherlands, to provide the ESRB with a follow-up report on the assessment of implementation of sub-recommendation B(1), Recommendation C and Recommendation D of the Recommendation ESRB/2019/7 (hereinafter the 'Recommendation'), due by **31 October 2022**.

Addressees are kindly invited to complete this template, summarising the actions taken to comply with the sub-recommendation B(1), Recommendation C and Recommendation D or providing adequate justification for inaction. Addressees are expected to provide relevant information and documentation related to the implementation of sub-recommendation B(1), Recommendation C and Recommendation D, including information on the substance and timing of the actions taken.

### Instructions to addressees

Each relevant authority should submit the completed template to the ESRB via the ESRB Secretariat. Subsequently, the ESRB Secretariat will arrange for the transmission of the final reports to the Commission, the Council and the European Parliament in accordance with Article 17(1) of Regulation No 1092/2010<sup>1</sup>.

For the purposes of reporting to the ESRB, the completed template should be sent to the ESRB Secretariat electronically via DARWIN in the dedicated folder or by email to  by **31 October 2022**:

The required follow-up reports by the addressees should contain a reference to all the details referred to in sub-recommendation B(1), Recommendation C and Recommendation D.

<sup>1</sup> OJ L 331, 15.12.2010, p. 1

Content of sub-recommendation	Sub-recommendation B(1)
	<p align="center"><b>Tightening of borrower-based measures and approach to calibration</b></p> <p>It is recommended that the Netherlands lower the current legally binding limit that applies to the LTV ratio, thus ensuring that collateral for new mortgage loans is sufficient to cover credit losses corresponding to the potential decrease in house prices under adverse economic or financial conditions.</p>
Addressee	The Netherlands
Deadline	31 October 2022
<p><b>1. Timeline:</b></p> <p>Please indicate the time period when the actions required under the relevant sub-recommendation were taken.</p>	<p>In 2021, the Loan to Value (LTV) limit was mentioned in the coalition agreement, which is the current government's political agreement until 2025.</p>
<p><b>2. Actions taken:</b></p> <p>Please describe the essence of the actions taken to comply with the relevant sub-recommendation, including how it ensures that collateral for new mortgage loans is sufficient to cover credit losses corresponding to the potential decrease in house prices under adverse economic or financial conditions.</p>	<p>In the coalition agreement of the newly formed government, formed after the general elections for the House of Representatives last year, it explicitly states that the LTV limit will not further be reduced. A further reduction of the LTV limit could lead to a less accessible residential real estate market for first time buyers, which is a key problem in the Dutch housing market.</p>
Compliance Criteria	Sub-Recommendation B(1)

<p><b>3. Compliance criterion:</b></p> <p>Please describe how you applied the principle of proportionality, taking into account the objective and content of this recommendation.</p> <p><i>[Article 1(a) of Section 2.2 of the Recommendation]</i></p>	<p>N/A</p>
<p><b>4. Compliance criterion:</b></p> <p>Please describe how the calibration and phasing-in of the measure lowering the existing limit that applies to the LTV ratio took into account the position of the Netherlands in the economic and financial cycles in order to determine whether activating such measure would be appropriate.</p> <p><i>[Article 1(b) of Section 2(2) of the Recommendation and par. 1 of Recommendation B, Annex I]</i></p>	<p>N/A</p>
<p><b>5. Compliance criterion:</b></p> <p>Please include the assessment of the vulnerabilities related to pockets of overvaluation of house prices and the collateralisation of new and existing mortgage loans, including the distribution of new mortgage loans according to their</p>	<p>In the previous follow-up reports, the Dutch government reported on the measures taken to reduce the systemic risks on the Dutch housing market. The government still considers the instituted borrower-based measures beneficial to mitigate the systemic risks of the housing market. This is due to the several measures taken since the financial crisis, such as gradually lowering the LTV limit from 106% to 100% in 2018. Other rules, such as the requirement to repay a mortgages within 30 years and a number of tax reforms (as described in the follow-up on recommendation D) contributed to mitigating the risks on the housing market. During the COVID pandemic, there was no significant increase in cases where mortgages were not paid. This showed that even though the economic situation was tough, the Dutch households still regularly paid their mortgages. Moreover, even though the percentage of the limit has not changed since 2018, data shows that the LTV of new production has declined (please see two figures in the follow-up on recommendation C). Due to the increase of house prices, the average LTV of outstanding mortgage contracts have reduced as well.</p>

<p>LTV ratios, with the relevant ratios being calculated in accordance with Annex IV to Recommendation ESRB/2016/14 of the European Systemic Risk Board<sup>2</sup>, together with the functioning of the actions undertaken, having regard to the objectives of this Recommendation.</p> <p><i>[Article 2(b), Section 2(2) of the Recommendation]</i></p>	
<p><b>6. Self-assessment:</b></p> <p>In case of action, please provide a self-assessment on whether the actions undertaken are fully compliant, largely compliant, partially compliant, materially non-compliant or non-compliant with the above sub-recommendation.</p>	<p>N/A</p>
<p><b>7. Justifications:</b></p> <p>Please provide, as appropriate, justifications for (i) inaction, (ii) delays in action and (iii) departure from the sub-recommendation, as may be relevant. Please provide a self-assessment on whether the inaction is sufficiently or insufficiently explained.</p>	<p>The inaction is due to the political agreement made by the recently installed government, with the aim to ensure the accessibility of the Dutch real estate market for first time buyers.</p>
<p><b>8. Additional information:</b></p> <p>Please provide other information</p>	<p>Coalition agreement: <a href="#">Coalitieakkoord 'Omzien naar elkaar, vooruitkijken naar de toekomst'   Regering   Rijksoverheid.nl</a></p>

that is not otherwise covered in the present document and that is relevant for the purposes of the follow-up assessment.

Please also attach any relevant documents (if applicable).

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<sup>2</sup> Recommendation ESRB/2016/14 of the European Systemic Risk Board of 31 October 2016 on closing real estate data gaps (OJ C 31, 31.1.2017, p. 1).