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Remissvar: Utveckling av makrotillsynsområdet

The Swedish House of Finance (SHoF) at the Stockholm School of Economics has been invited to comment on the memorandum "Utveckling av makrotillsynsområdet". Our position on the proposals of the memorandum can be summarized as follows.

Summary

- We agree with the general direction of the proposals made in the investigation.
- We agree with the loosening of both amortization requirements and the loan-to-value constraints.
- We find that the academic literature does not provide specific guidance on either the best measures to use or on the exact quantities (e.g., 1% or 2%). Below, we discuss a potential alternative way of regulating amortization. Our aim is to broaden the set of policy options considered in the future.

Amortization rate varying with the interest rate

As discussed in the memorandum, the aim of amortization requirements is to limit the amount of mortgage debt created and maintained in the economy at a reasonable level, to lower the likelihood of future financial crises and minimize the number of households severely affected by high debt costs. However, while achieving this aim, amortization requirements limit access to owner-occupied housing, and force homeowners to save into home equity even when their money would better be used for consumption or to build a liquid buffer. Secondary effects may include reduced mobility, with consequences for the labor market.

Under both the current and proposed regulations the required amortization rate is independent of the interest rate. However, we think that the distortive effects of amortization requirements could be mitigated if obligatory amortization rates were lowered temporarily in times of high interest rates:

- When interest rates are high, households are more likely to be liquidity constrained and hence would value highly the additional liquidity gained from automatically lowered amortization costs.

- In addition, one could argue that in a high-interest rate environment active amortization from households is less urgent, as times of high interest rates historically are also times of high inflation. While inflation might prove to be a burden for households for other reasons, it does lower the amount of household debt in real terms, hence it is equivalent to an implicit way of amortization.
- Conversely, when interest rates are low and indebted households dispose over more liquid assets, it is a relatively good time to amortize, ensuring that debt levels decrease sufficiently before the next period of high interest rates.

For the sake of simple and easy-to-understand regulations, an inverse relationship between the required amortization rate and the interest rate could be instituted at the loan level by introducing a lower limit on the sum of the amortization rate and the interest rate, in combination with a lower bound solely on the amortization rate. This would also make it easier for households to predict future total debt costs on variable rate mortgages.

Stockholm, 17 October 2025

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