Decision of the Board of the Financial Supervisory Authority on the application of macroprudential instruments

At its meeting on 29 June 2026, the Board of the Financial Supervisory Authority (FIN-FSA) decided as follows:

- the countercyclical capital buffer (CCyB) requirement referred to in chapter 10, section 4 of the Act on Credit Institutions (610/2014) will be kept at 0.0%; and
- the maximum loan-to-collateral (LTC) ratio referred to in chapter 15, section 11 of the Act on Credit Institutions (610/2014) and in section 14 of the Act on the Registration of Certain Credit Providers and Credit Intermediaries (186/2023) will be increased by 5 percentage points, to 95%, for housing loans other than first-home loans. The maximum LTC ratio for first-home loans will be kept at its standard level of 95%. The decision will enter into force on 1 July 2026.

The FIN-FSA Board is monitoring developments in the Middle East conflict and the associated risks, as well as their impact on the stability of the Finnish financial system.

Countercyclical capital buffer requirement maintained at 0.0%

The positive momentum in the global economy has been adversely affected by the Middle East conflict and geopolitical challenges. The substantially higher energy and raw material prices and increased uncertainty resulting from the conflict have weakened the growth outlook and added to inflationary pressures, affecting interest rate expectations. In its June projections, the European Central Bank (ECB) expects euro-area growth for 2026 to be 0.7 percentage points lower than in the previous year, i.e. 0.8 percent.

Growth in the Finnish economy began to pick up towards the end of 2025, but the Middle East conflict has weakened the growth outlook for Finland as well. According to the Bank of Finland’s June 2026 economic forecast, the Finnish economy will grow by 0.7% in 2026, 1.2% in 2027 and 1.4% in 2028. The forecast is based on market expectations that the rise in energy prices will remain relatively short-lived. The risks surrounding the growth forecast are evenly balanced between the forecast being too low or too high.

Risk indicators show that risks pointing to an overheating of the financial cycle are still small. The primary risk indicator – the deviation of the private sector credit-to-gross domestic product (GDP) ratio from its long-term trend, or the credit-to-GDP gap – fell in the first quarter of 2026 to the lowest level so far in the cycle. The relative stock of credit has remained relatively unchanged. Growth in the corporate loan stock has been brisk in the early part of the year, but growth in the household loan stock has remained more subdued. Uncertainty in the financial markets has increased as a result of the

Middle East conflict. Hence there are justifiable grounds for maintaining the CCyB requirement at 0.0%.

Maximum loan-to-collateral ratio increased for buyers other than first-time buyers

Under chapter 15, section 11 of the Act on Credit Institutions (610/2014), as amended, and section 14 of the Act on the Registration of Certain Credit Providers and Credit Intermediaries (186/2023), the FIN-FSA may, in order to limit a downturn in the housing market, decide to increase the maximum LTC ratio by up to 5 percentage points for credit granted for the purchase of a home other than a first home. The legislative amendments entered into force on 1 June 2026.

The Government proposal concerning the legislative amendment (HE 190/2025) states that, in assessing the matter, it would be important, in addition to the general indicators relating to the financial markets, to examine in particular indicators for lending, housing sales and construction, such as housing loan drawdowns, new housing starts and housing prices.

Based on the available statistical data, the FIN-FSA's view is that the Finnish housing market is still in a downturn. By 2025, housing sales had recovered to some extent from the trough reached two years earlier, but the outlook has gradually deteriorated again. Due to the Middle East conflict and the resulting uncertainty, for example in the energy markets, as well as higher market interest rates, it is possible that cyclical conditions in the housing market will weaken during 2026.

In assessing the grounds for a possible easing of the maximum LTC ratio, it is necessary to weigh up the benefits and disadvantages of, on the one hand, easing the ratio and, on the other, keeping it unchanged. These benefits and disadvantages must be assessed in relation to the objectives of the maximum LTC ratio and the objectives of easing the ratio.

First, an easing of the maximum LTC ratio may improve the ability of households to move home where the ratio of their existing housing debt and the value of their home exceeds 90% as a result of previously high leverage and/or a fall in house prices. Without additional household funds or other collateral, the current maximum LTC ratio of 90% makes it more difficult for such households to move home, even if doing so would not necessarily increase the household's indebtedness significantly. Opening up this kind of a 'blocking' mechanism could stimulate housing sales without materially increasing vulnerabilities related to household indebtedness. From the perspective of financial stability, opening up the blocking mechanism could also have a potentially positive effect in that it is likely to reduce the probability of tighter financing constraints and a continued decline in housing prices.

Based on the statistical data currently available, the significance of this transmission channel is difficult to assess precisely. According to the Bank of Finland's preliminary analysis, the share of households whose housing loan exceeds 90% of the unencumbered price of their home increased between 2022 and 2025.

Second, easing the maximum LTC ratio would also allow new borrowers and non-first-time home buyers whose existing LTC ratio is below 90% to take out a housing loan with a higher LTC ratio than before. This would increase these households' ability to purchase more expensive homes and thereby strengthens demand in the housing market. At the same time, the indebtedness of households that make use of this possibility would increase as their LTC ratio rises above 90%.

Overall, in the FIN-FSA's assessment, the various effects of easing the maximum LTC ratio on lending, household indebtedness, housing sales and cyclical conditions in the housing market are likely to be minor. In an uncertain environment in which markets expect interest rates to rise and households' confidence in the economy is weak, with many consumers considering it an unsuitable time to take out a loan, the demand for housing and loans, particularly with very high LTC ratios, is likely to remain low.

In addition to the direct effects referred to above, easing the maximum LTC ratio may have the general effect of sending a signal to households, which could increase housing sales and strengthen housing market conditions. At the same time, however, it is important to avoid creating the impression that housing loans with very high LTC ratios are generally unproblematic or even advisable.

It should also be noted that, with the legislative amendments, the maximum maturity of housing loans is extended from 30 years to 40 years, and that, under a Government Decree, a number of requirements applying to housing company loans will be eased within the framework permitted by law. These changes are conducive to increasing the stability risks related to household indebtedness.

The FIN-FSA considers that there are grounds both for easing the maximum LTC ratio and for keeping it at its standard level. However, taking into account in particular the weakness of the housing market in recent years, geopolitical uncertainty and the subdued economic outlook, the FIN-FSA takes the view that the downturn in the housing market is sufficiently severe to satisfy the grounds set out in the Act on Credit Institutions (610/2014) for a temporary easing of the maximum LTC ratio. From the perspective of aggregate indebtedness in the household sector, the effects of easing would be relatively minor and would therefore not significantly increase vulnerabilities related to household indebtedness.

The purpose of the measure is to limit the downturn in the housing market. The FIN-FSA will assess, on a quarterly basis, the conditions for applying the decision and will return the maximum LTC ratio to its standard level once the grounds for the easing no longer exist.