# Notification template for borrower-based measures

Please send/upload this template to:

- macropru.notifications@ecb.europa.eu when notifying the European Central Bank (ECB);
- DARWIN/ASTRA when notifying the European Systemic Risk Board (ESRB).

This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure[1].

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. In order to facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

| 1. Notifying national authority and scope of the notification | | |
|---|---|---|
| 1.1 | Name of the notifying authority | Eesti Pank |
| 1.2 | Country of the notifying authority | Estonia |
| 1.3 | Type of borrower-based measure | Please select one of the measures listed below:<br>☒ Debt-service-to-income (DSTI)<br>☐ Loan-to-income (LTI)<br>☐ Loan-to-value (LTV)<br>☐ Debt-to-income (DTI)<br>☐ Loan maturity<br>☐ Other (please provide a short, name-like description here and provide more details in Section 2) |
| 1.4 | Type of notification | What do you intend to notify?<br>☐ Activation of a new measure<br>☒ Change to an existing measure<br>☐ Extension of an existing measure<br>☐ Termination of an existing measure |

[1] On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

| 2. Description of the measure | | |
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| 2.1 | Description of the measure | Eesti Pank decided to change the calculation principles of the DSTI requirement. According to the amendments the calculation of the loan payments must use the interest rate set in the contract or 6%, whichever is higher (previously, interest rate set in the contract plus 2 pp, or 6%, whichever is higher).<br>The DSTI limit of 50% remains unchanged. |
| 2.2 | Definition of the measure | n/a |
| 2.3 | Legal basis and process of implementation of the measure | Credit Institutions Act. § 83 ($2^1$)<br>Eesti Pank Governor's Decree No 17 of 12 December 2014 „Limits on granting housing loans and maximum loan maturity“ |
| 2.4 | Coverage | a. credit institutions (including local branches of foreign credit providers) |
| | | b. only natural persons |

| | | |
|---|---|---|
| | | c. housing loans secured by RRE |
| 2.5 | Calibration | n/a |
| **3. Timing for the measure** | | |
| 3.1 | Timing for the decision | 22/01/2024 |
| 3.2 | Timing for publication | 26/01/2024 |
| 3.3 | Disclosure | The amendments to the decree of the Governor of Eesti Pank will be published in *Riigi Teataja*, which is the official gazette of the Republic of Estonia.<br>Eesti Pank issued a press release. |
| 3.4 | Timing for the application | 01/04/2024 |
| 3.5 | End date (if applicable) | n/a |
| **4. Reason for activation of the measure** | | |

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| 4.1 | Description of the macroprudential risk | The reason for the change of the calculation principles is to better align the macroprudential nature and objectives of the DSTI requirement.<br>We find that from macroprudential perspective it is reasonable and sufficient to set the DSTI limit at the highest average loan interest rate over the interest rate cycle.<br>Based on current assessment, the use of an interest rate of 6% is reasonable. |
| 4.2 | Indicators used for activation of the measure | n/a |
| 4.3 | Effects of the measure | In general, over the interest rate cycle the change in calculation principles has a neutral impact on lending.<br>At the moment of entry into force, the removal of the 2pp add-on will likely have a loosening effect, as the interest rate to be used in calculation of the loan payments (6%) will be lower than under current rule at current high interest rate (e.g. in November 2023 for average housing loan the calculation was made at an interest rate of 7.7% (5.7% average loan interest rate + 2.0% add-on)). However, the currently lower loan demand helps to mitigate any immediate effect of the change in calculation principles. |
| **5. Sufficiency, consistency and non-overlap of the policy response** | | |

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|---|---|---|
| 5.1 | Sufficiency of the policy response | n/a |
| 5.2 | Consistency of application of the policy response | n/a |
| 5.3 | Non-overlap of the policy response | n/a |
| **6. Cross-border and cross-sector impact of the measure** | | |

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|---|---|---|
| 6.1 | Assessment of cross-border effects and the likely impact on the Internal Market (Recommendation ESRB/2015/2[2]) | n/a |
| 6.2 | Assessment of leakages and regulatory arbitrage within the notifying Member State | n/a |
| 6.3 | Request for reciprocation | n/a |

[2] Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).

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|---|---|---|
| 6.4 | Justification for the request for reciprocation | n/a |
| **7.** | **Miscellaneous** | |
| 7.1 | Contact person(s)/mailbox at notifying authority | Jaak Tõrs, jaak.tors@eestipank.ee<br><br>Jana Kask, jana.kask@eestipank.ee |
| 7.2 | Any other relevant information | - |
| 7.3 | Date of the notification | 26/01/2024 |