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## DECISION MEMORANDUM



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**Finansinspektionen**  
Box 7821  
SE-103 97 Stockholm  
[Brunnsgatan 3]  
Tel +46 8 408 980 00  
Fax +46 8 24 13 35  
finansinspektionen@fi.se  
www.fi.se

### **General guidelines on exemption from amortisation requirements on special grounds**

#### **Summary**

Finansinspektionen has decided on new general guidelines to clarify when a mortgage firm may grant exemption from the requirements on amortisation set out in Finansinspektionen's regulations (FFFS 2016:16) regarding amortisation of loans collateralised by residential property (the amortisation regulations).

In order to protect the individual borrower, it is already possible today for mortgage undertakings to grant amortisation exemption during a limited period of time if there are special grounds. The general guidelines clarify that an extraordinary circumstance in the form of a severe downturn in the Swedish economy constitutes special grounds under the meaning of this phrase that applies in the amortisation regulations. Subsequently, a mortgage firm can grant a time-limited exemption from the requirement on amortisation set out in the regulations given the severe economic downturn in the wake of the spread of COVID-19. The guidelines also clarify that in a crisis of this nature, mortgage firms can grant exemption from the requirement on amortisation at the time the mortgage is being granted or increased.

The objective of the general guidelines is to clarify that mortgage firms may grant exemption from the requirement on amortisation due to a severe downturn in the Swedish economy of the type now being experienced following the spread of COVID-19 and efforts to combat it. In Sweden, the economic forecast is rapidly deteriorating. Due to the uncertainty about the future, many households are becoming concerned about their personal finances. In order to give households more manoeuvrability when planning and managing their finances, the general guidelines state that, given the current situation, a mortgage firm can grant amortisation exemption even if the borrower's individual financial circumstances have not been directly impacted. It continues to be the responsibility of the mortgage firms to decide if an amortisation exemption may be granted. Mortgage firms must also consider other relevant regulations, such as rules on credit assessment and the Consumer Credit Act, which requires, among other things, a firm to consider consumers' interests with due care, when issuing new loans.

The general guidelines enter into force on 14 April 2020. It is difficult to predict how long the coronavirus pandemic will last. According to Finansinspektionen's assessment, however, amortisation exemption due to the

pandemic could potentially apply to amortisation payments through 31 August 2021.

