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## Limits on issuing housing loans and maximum maturity of loans

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RT I, 16.12.2014, 17  
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Amended by the following acts

Passed	Published	Entry into force
02.04.2015	RT I, 08.04.2015, 3	11.04.2015
22.06.2015	RT I, 03.07.2015, 1	01.04.2016
24.01.2024	RT I, 30.01.2024, 4	01.04.2024

This decree is established on the basis of subsection 83 (2<sup>1</sup>) of the Credit Institutions Act.  
[RT I, 08.04.2015, 3 - entry into force 11.04.2015]

### § 1. Scope of the Decree

(1) This Decree establishes the requirements for the ratio between the amount of a housing loan and the value of the loan collateral (hereinafter the loan-to-value limit), requirements for the ratio between the loan and interest payments periodically payable by the borrower under various loan contracts and the income of the borrower (hereinafter the debt service-to-income limit), the maximum maturity of a housing loan and the exceptions permitted upon following the requirements of this Decree.

(1<sup>1</sup>) The requirements specified in subsection 1 of this section must be met at the moment when the amount of the housing loan (or, in the event of granting the housing loan in instalments, the first instalment of the loan amount) is granted to the disposal of the borrower.  
[RT I, 03.07.2015, 1 - entry into force 01.04.2016]

(2) Within the meaning of this Decree, a housing loan shall be a loan secured by a mortgage and granted by a lender specified in section 2 to a borrower who is a physical person for buying, building, extending, rebuilding or renovating residential property in Estonia.

### § 2. Application of the Decree

This Decree shall be applicable to all credit institutions operating in Estonia, including to Estonian branches of foreign credit institutions.

### § 3. Loan-to-value limit

(1) Meeting of the loan-to-value limit is assessed on the basis of the loan-to-value (LTV) ratio. The loan-to-value ratio is found by dividing the loan amount by the value of the immovable property or immovable properties used as collateral for the loan as follows:

$$\text{loan-to-value ratio} = \frac{\text{loan amount}}{\text{property value}}$$

(2) The loan-to-value ratio may be up to 85%.  
[RT I, 03.07.2015, 1 - entry into force 01.04.2016]

(3) The loan-to-value ratio for loans with a KredEx guarantee may be up to 90%.

(4) The collateral of a housing loan shall be a mortgage on the residential property being bought, built, extended, rebuilt or renovated with the loan or on another immovable property belonging to the borrower and/ or co-borrower. A housing loan may also be secured by a mortgage on immovable property belonging to a third party. A housing loan may also be secured by a mortgage on immovable property belonging to a third party.

(5) Only mortgages of the first ranking may be accepted as collateral. A credit institution may accept mortgages of the subsequent rankings provided that all higher-ranked mortgages are assigned to this credit institution or state.

(6) The value of the immovable property securing the loan used for the calculation of the loan-to-value ratio is either the market value of the immovable property before signing the housing loan contract or the actual purchasing price of the residential property, whichever is lower.

(7) If the collateral for the housing loan also secures any other loan obligation of the borrower or a third party, all loan amounts secured with this collateral shall be taken into account when calculating the loan-to-value ratio.

(8) The loan-to-value limit shall not be applied to housing loans that are granted for the restructuring or refinancing of an earlier loan and whose amount does not exceed the claim arising from the restructured or refinanced loan.

#### **§ 4. debt service-to-income (DSTI)**

(1) Meeting of the debt service-to-income limit is assessed on the basis of the debt service-to-income (DSTI) ratio. The debt service-to-income ratio is found by dividing the amount of the principal and interest payments of all the loan obligations of the borrower by the net income of the borrower, as follows:

$$\text{debt service-to-income ratio} = \frac{\sum_{i=1}^n (\text{principal and interest payments})_i}{\text{borrower's net income}}$$

where n is the number of all consumer credit agreements of the borrower including the new housing loan.

(2) The debt service-to-income ratio may be up to 50%.  
[RT I, 03.07.2015, 1 - entry into force 01.04.2016]

(3) The borrower's net income is the regular and proven post-tax income of the borrower. Regular income is income that the borrower receives every month, quarter and/or year in approximately the same amount every time, and in whose case the borrower has considered its sustainability and the sufficient period for which the income has been received. Post-tax income is income less all the amounts due as state taxes and payments.

(4) Loan payments, i.e. the sum of principal and interest payments, mean the sum of the monthly loan payments both of the new housing loan and of all the other loans, leases and other consumer credit agreements of which the lending credit institution is aware that have been granted to the borrower by the credit institution granting the loan or by other credit institutions and by other lenders. Loan payments payable together with another person shall be taken into account pro rata to the borrower's obligation to pay the loan payments.  
[RT I, 08.04.2015, 3 - entry into force 11.04.2015]

(5) If the housing loan is granted with a variable interest rate, the interest rate of the housing loan when calculating the sum of the principal and interest payments of the housing loan shall be either the interest rate indicated in the loan contract plus two percentage points, or an annual interest rate of 6%, whichever is higher.  
[RT I, 30.01.2024, 4 - entry into force 01.04.2024]

(5<sup>1</sup>) When calculating the amount of loan payments, as the maturity of the housing loan it is allowed to consider, instead of the maturity of the loan specified in the loan contract, also the deadline up to which – according to the loan contract – the borrower is entitled to extend the fulfilment of the obligation of the loan repayment.  
[RT I, 08.04.2015, 3 - entry into force 11.04.2015]

(6) The values indicated in the numerator and denominator for calculating the debt service-to-income ratio are specified in euros on a monthly basis. If the net income of the borrower or the loan payments are not monthly or have been denominated in another currency, then for the purpose of calculating the ratio they shall be expressed on a monthly basis and denominated in euros.

(6<sup>1</sup>) If the loan agreement sets a schedule for the loan payments of the housing loan that differs from the annuity schedule with monthly payments or the schedule with equal monthly payments of the principal in any calendar month during the entire loan agreement period, the monthly principal and interest payment amount for this loan is calculated as the average of the entire period of the loan agreement.  
[RT I, 30.01.2024, 4 - entry into force 01.04.2024]

(7) If the housing loan is taken with a co-borrower, all the loan payments of the borrower and the co-borrower of which the credit institution granting the loan is aware shall be aggregated in the numerator and the net income of the borrower and the co-borrower in the denominator of the debt service-to-income ratio.

### **§ 5. Maturity of the housing loan**

The maximum contractual maturity of a housing loan contract may be 30 years as of the first day of the third calendar month following the month when the loan amount (or, in the event of granting the housing loan in instalments, the first instalment of the loan amount) is granted to the disposal of the borrower.  
[RT I, 08.04.2015, 3 - entry into force 11.04.2015]

### **§ 6. Limit for permitted exceptions**

Exceeding the limits specified in section 3 and/or 4 of this Decree and/or for a longer maturity than set forth in section 5, a credit institution may issue up to 15% of the total amount of new housing loans issued within one quarter.  
[RT I, 03.07.2015, 1 - entry into force 01.04.2016]

### **§ 7. Entry into Force**

This decree enters into force on 1 March 2015.