

Monitor on mortgage lending standards and financial stability

2026

DeNederlandscheBank

EUROSYSTEEM



AFM

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Summary

This report presents the first joint monitor by the Dutch Authority for the Financial Markets (AFM) and De Nederlandsche Bank (DNB) on the relationship between mortgage lending standards and financial stability, commissioned by the Dutch Ministers of Finance and of Housing and Spatial Planning. Its purpose is to provide annual insight into risks arising from mortgage lending, ensuring that financial stability considerations are explicitly incorporated into the setting of lending standards. The monitor draws on a fixed set of indicators to track developments among households, financial institutions and in the housing market.

Since regulatory lending standards were introduced in 2013, household vulnerabilities have declined to some extent. Average loan-to-value (LTV) and loan-to-income (LTI) ratios have fallen, improving households' resilience to house price declines and income shocks. However, since 2022 the LTV and LTI ratios of new mortgage loans have increased slightly. As a result, financial stability risks persist.

Dutch mortgage debt remains elevated in an international comparison, new mortgages continue to exhibit high LTV ratios, and an increasing share of households – particularly first-time buyers – make near-full use of their borrowing capacity. This reinforces the systemic risk arising from the interaction between debt accumulation and elevated house prices.

Prudent lending standards therefore remain crucial for safeguarding financial stability. Loosening these standards, especially in a strained housing market, would likely stimulate risk-taking by home buyers and amplify upward pressure on prices. Although stricter lending standards could mitigate financial stability risks, they may also temporarily reduce access to home ownership in the current tight housing market. Structural vulnerabilities can only be addressed through a broader policy mix, particularly by reducing tax incentives for home ownership and increasing housing supply.

1 Introduction

Mortgage lending standards play a crucial role in safeguarding financial stability by ensuring responsible lending to households. Since 2013, these standards have been embedded in law and are set annually by the government through the Temporary regulation on mortgage lending. In 2025, their effectiveness and efficiency were evaluated for the first time. Following this review, the Minister of Finance, also on behalf of the Minister of Housing and Spatial Planning, requested that the Dutch Authority for the Financial Markets (AFM) and De Nederlandsche Bank (DNB) jointly monitor, on an annual basis, the implications of mortgage lending standards for financial stability. In parallel, the CPB Netherlands Bureau for Economic Policy Analysis was asked to monitor how lending standards affect the accessibility of the owner-occupied housing market. Together, these efforts ensure that both financial stability considerations and housing market accessibility receive explicit and recurring attention when setting lending standards. This monitor represents the first joint AFM–DNB report on mortgage lending standards in relation to financial stability.

The Dutch housing market is one of the key sources of financial stability risk. Dutch households carry relatively high levels of mortgage debt, and these loans form a substantial share of banks' and other lenders' credit portfolios. There is also a strong link between mortgage lending and house price dynamics: rapid house-price increases, supported by ample credit and rising debt levels, can amplify vulnerabilities and heighten the financial system's exposure to adverse shocks.¹

Lending standards help contain these risks by placing limits on the mortgage debt households can assume.² The Netherlands applies two borrower-based regulatory standards: the loan-to-income (LTI) limit³, which caps borrowing relative to income, and the loan-to-value (LTV) limit, which restricts borrowing relative to the value of the home.

This annual monitor provides insight into how risks to financial stability evolve in connection with mortgage lending. Drawing on a fixed set of quantitative indicators, it tracks developments over time across households, financial institutions, and the broader housing market. To measure the build-up of vulnerabilities, we examine indicators such as the share of households with high LTV or LTI ratios, the proportion facing an upcoming interest-rate reset, and the prevalence of interest-only mortgages. To assess the build-up and potential materialisation of risks, we review house price developments and credit risk indicators within financial institutions.⁴

The remainder of this monitor is structured as follows. Section 2 discusses key developments based on the indicator set. Section 3 presents our conclusions and recommendations. Additional indicators are provided in the Annex.

1 A recent DNB study finds that relaxing lending standards in the Netherlands translates into rising house prices.

2 See for example BIS (2023).

3 This limit puts a cap on the share of income that can be spent on mortgage payments.

The maximum mortgage payments are then converted into a maximum loan amount relative to income.

4 This is in line with the proposals made by SEO as part of the review.

2 Developments in indicators and financial stability risks

This section outlines recent developments in the key indicators associated with mortgage lending standards and assesses their implications for financial stability. We begin by examining trends in the housing market and mortgage debt. We then analyse specific risk characteristics, such as loan-to-value (LTV) and loan-to-income (LTI) ratios and interest rate resets, that collectively help identify vulnerabilities among households and financial institutions.

Housing market and mortgage debt

The Dutch housing market remains tight and continues to show signs of overvaluation.

Although house-price growth has recently moderated, prices have still risen considerably faster than household incomes since mid-2023: house prices increased by 21%, compared with a 14% rise in incomes over the same period. As a result, the price-to-income ratio has grown by nearly 9% (Figure 1). While this ratio remains below its peak in early 2022, the recent increase marks a renewed divergence from the broader euro area, where the price-to-income ratio has been more or less stable for the past two years. In 2025, 75% of homes were sold above the initial asking price (Figure 2).

Figure 1 Price-to-income ratio

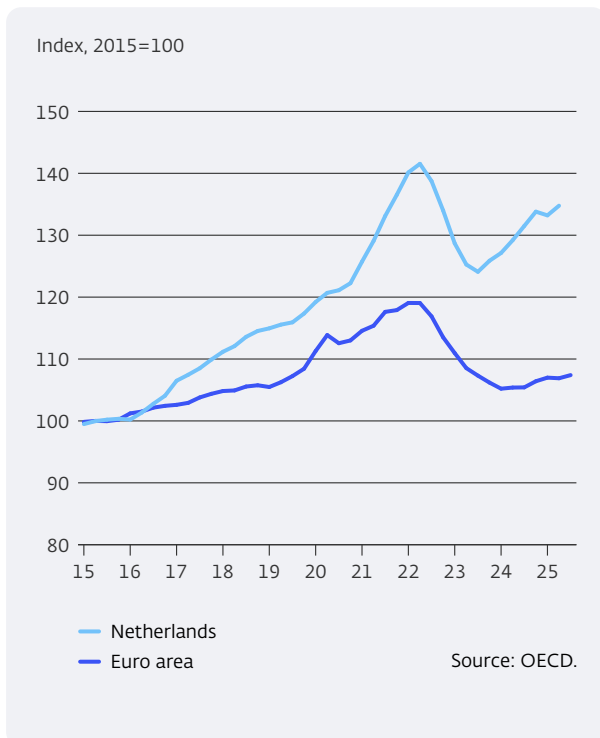
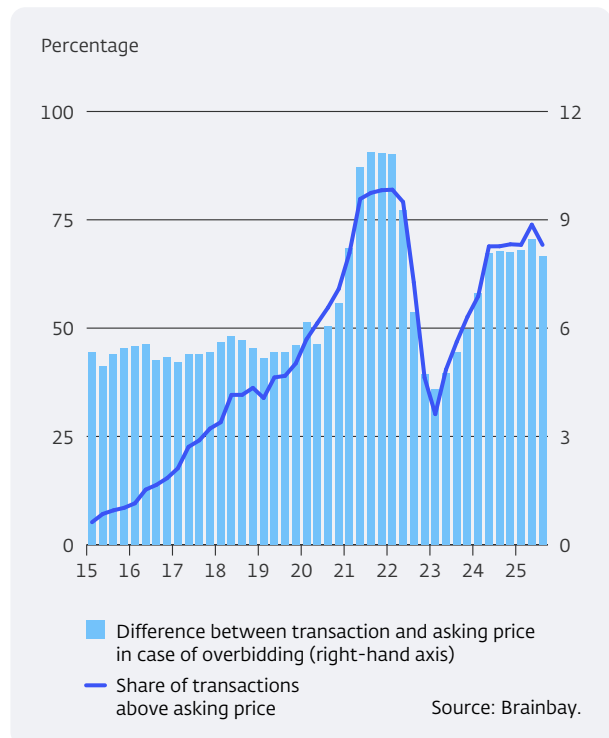


Figure 2 Purchase price above asking price



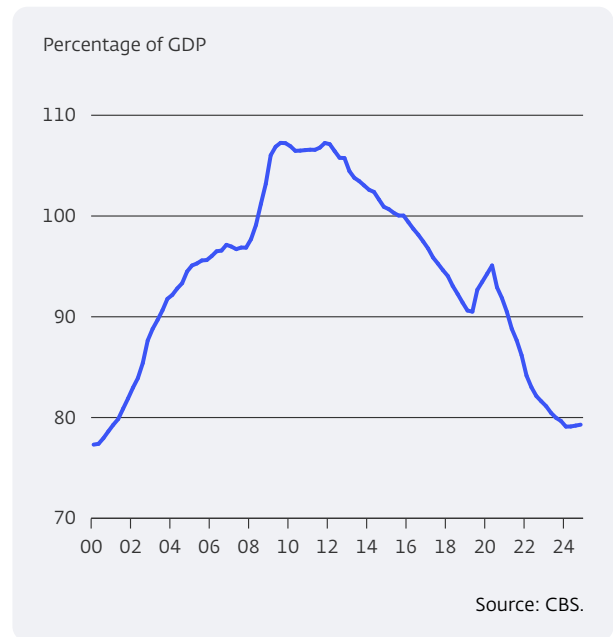
Mortgage debt among Dutch households remains high, partly due to the recent acceleration in credit growth. In the second quarter of 2025, mortgage debt increased by more than 5% year-on-year (Figure 3) – the strongest growth rate since 2008. Total mortgage debt has hovered just below 80% of GDP for the past

two years (Figure 4). Although this represents a gradual decline compared with the peak in 2012, Dutch household indebtedness remains elevated from an international perspective. For comparison, the average household-debt-to-GDP ratio in the euro area stood at around 50% in 2025.⁵

Figure 3 Credit growth



Figure 4 Household mortgage debt



⁵ This ratio refers to total household debt, i.e. both mortgage loans and other types of credit.

LTV and LTI ratios

Since regulatory lending standards were introduced in 2013, households have, on average, become less vulnerable to house-price declines and income shocks. The average loan-to-value (LTV) ratio on all outstanding Dutch mortgages is now just above 50% (Figure 5). Only around 8% of mortgages have an LTV ratio above 90% – a substantial improvement compared with 2013, when more than 40% of mortgages exceeded this threshold and roughly one-third of borrowers were in negative equity following previous house-price declines. Lower average LTV ratios

reduce the likelihood that home owners and lenders will face losses in the event of a fall in house prices. From 2015 to 2022, the average LTV ratio declined considerably, but this downward trend appears to have levelled off since 2022. A similar pattern is visible in the loan-to-income (LTI) ratio. The average LTI currently stands at 3.2 (Figure 6), an improvement relative to 2013. Much of the decline occurred in 2023-2024, supported in part by rising household incomes during those years. More recently, however, the average LTI has edged up again. At present, around 9% of mortgages have an LTI ratio above 4.5.

Figure 5 Development of LTV ratio

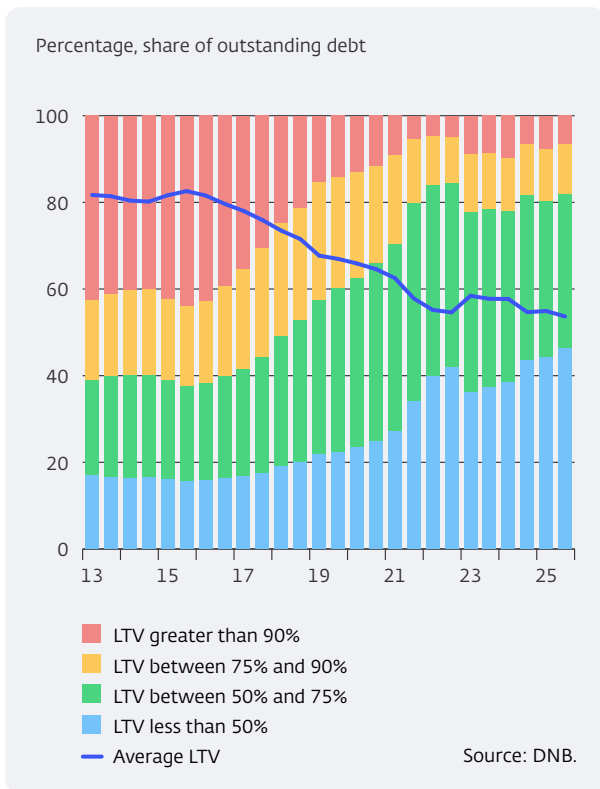
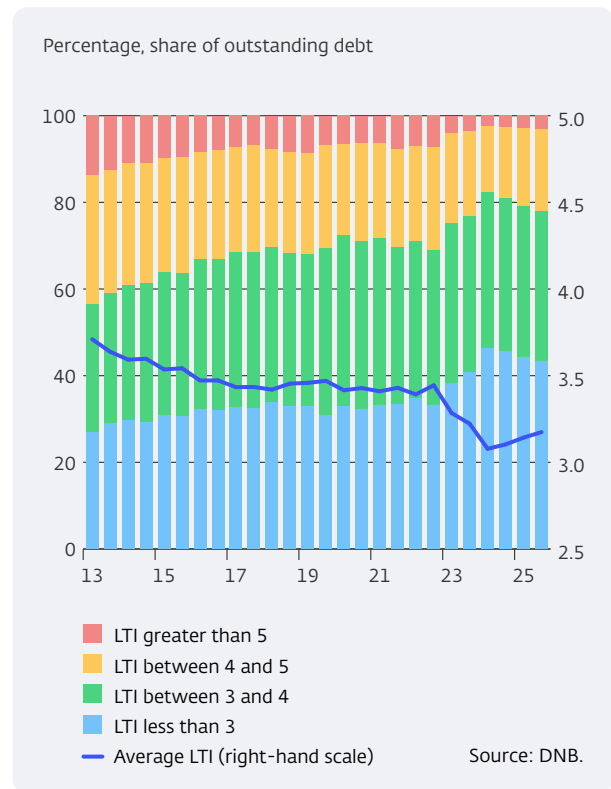


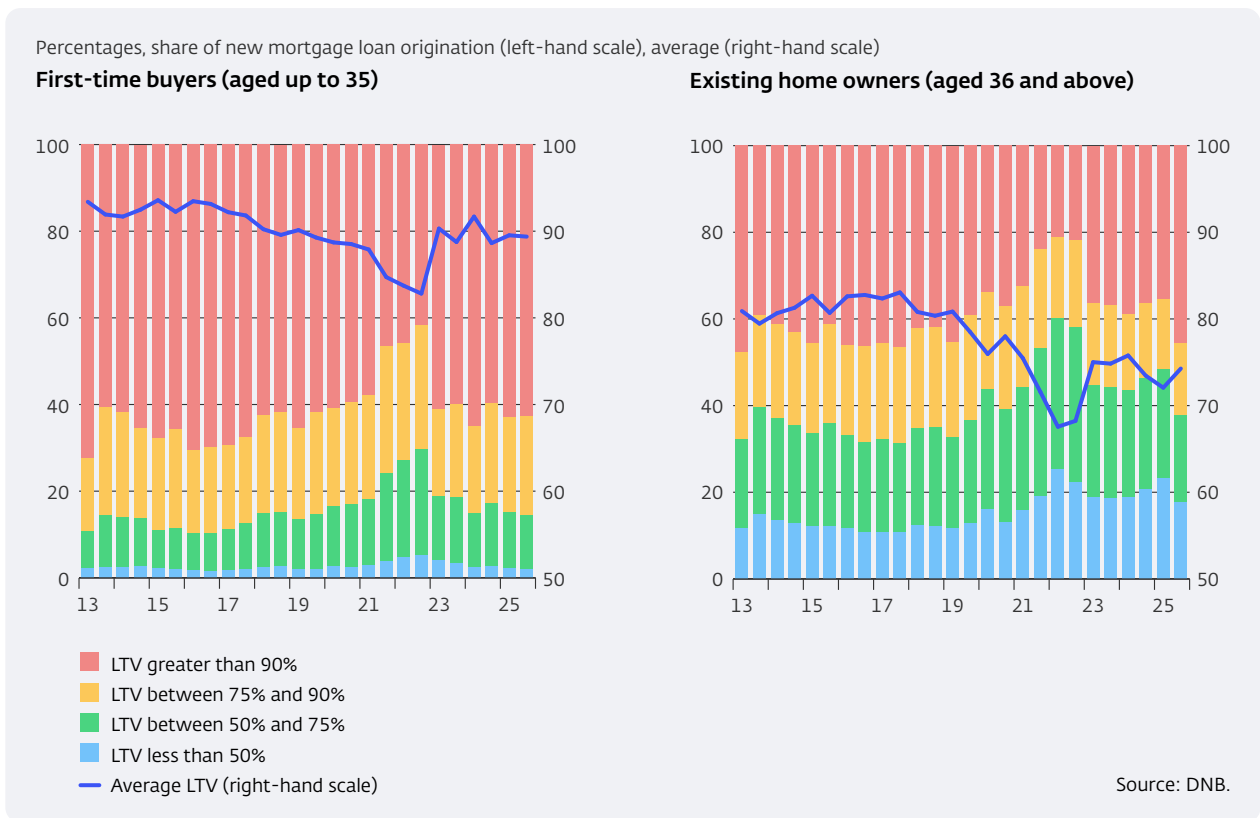
Figure 6 Development of LTI ratio



For new mortgages, average LTV ratios have increased in recent years, leaving first-time buyers particularly vulnerable to a potential decline in house prices. More than half of first-time buyers⁶ take out a loan with an LTV ratio above 90% (Figure 7). Since 2022, the average LTV ratio for this group has gone up, on balance, reaching 89% in 2025. A similar pattern is visible

among existing home owners, although their average LTV ratio is lower, at 74%. This means that the downward trend in LTV ratios for newly originated mortgages has not continued since 2022. As a result, LTV ratios for new mortgage loans remain high, especially compared with other countries, many of which apply LTV limits of 80% or 90%.

Figure 7 LTV ratio of new mortgage loans

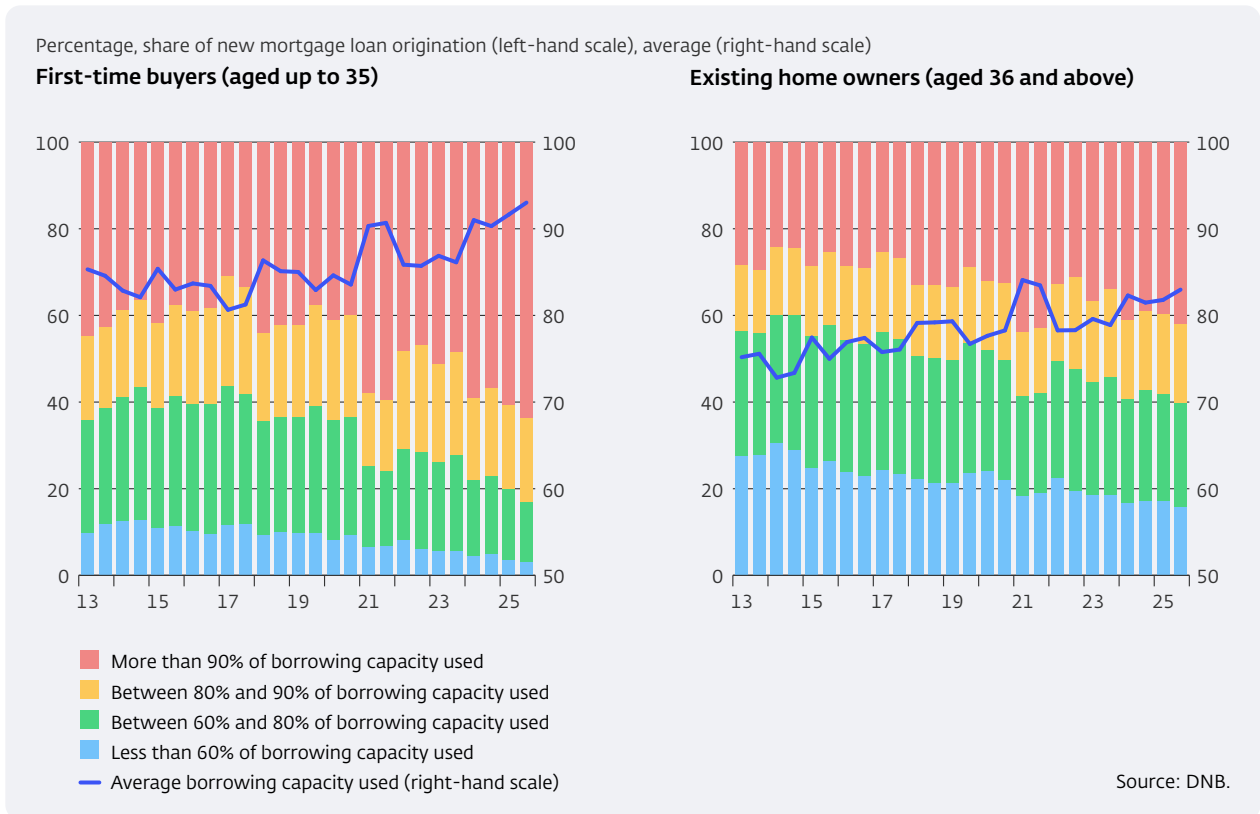


⁶ We distinguish between first-time buyers and existing home owners based on age. For details, see the definitions in the Annex.

A notable recent trend is that households are increasingly stretching their borrowing capacity when taking out new mortgage loans. In 2025, first-time buyers used an average of 92% of their maximum allowable borrowing based on income, while existing home owners used around 83%

(Figure 8). This continues the upward trend of households borrowing close to their regulatory limit. For these borrowers, the risk of struggling to make mortgage payments following an income shock increases, which could lead to higher default risks and reduced household consumption.

Figure 8 Share of borrowing capacity used for new mortgage loans



Other risk characteristics

Refinancing risks for households are limited in the short term. When a fixed-interest period expires, borrowers face the possibility of a higher interest rate upon reset, which may increase their monthly mortgage payments. For now, this risk appears modest: as of the end of 2025, only about 4.5% of outstanding mortgages are scheduled for an interest rate reset within the coming year (Figure 9). This relatively low share reflects the fact that many households locked in long-term

interest rates during 2020-2022, when these were exceptionally low (Figure 10). Since early 2022, interest rates have risen substantially. As a result, roughly three-quarters of households facing a rate reset in the coming year are likely to be subject to a higher interest rate (Figure 9). Looking further ahead, most households refinancing in the coming years will likely also encounter higher rates. By 2030, around 30% of mortgages will reach the end of their current fixed-interest period. Most borrowers taking out new mortgages today opt for a 10-year fixed-rate period.

Figure 9 Refinancing within the next year

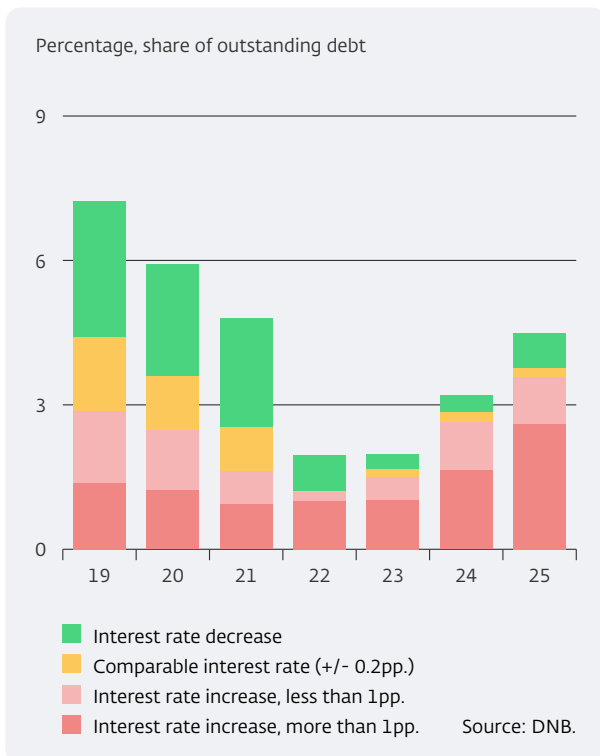
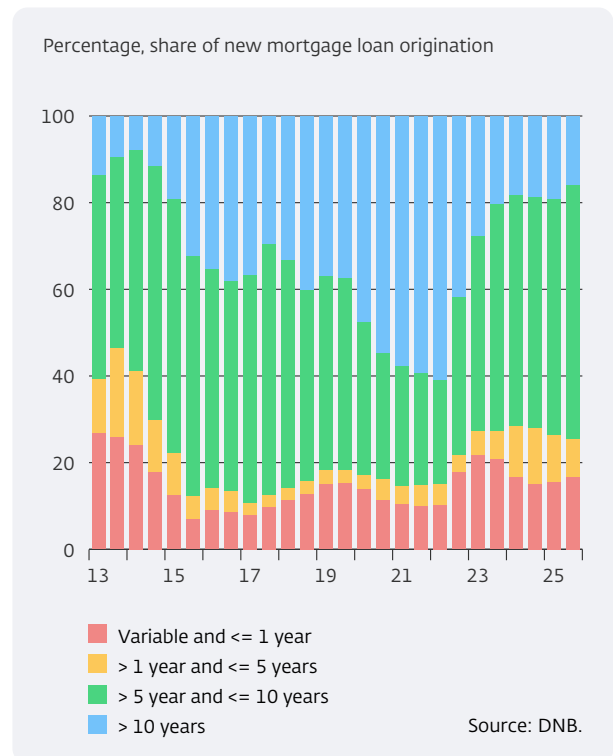
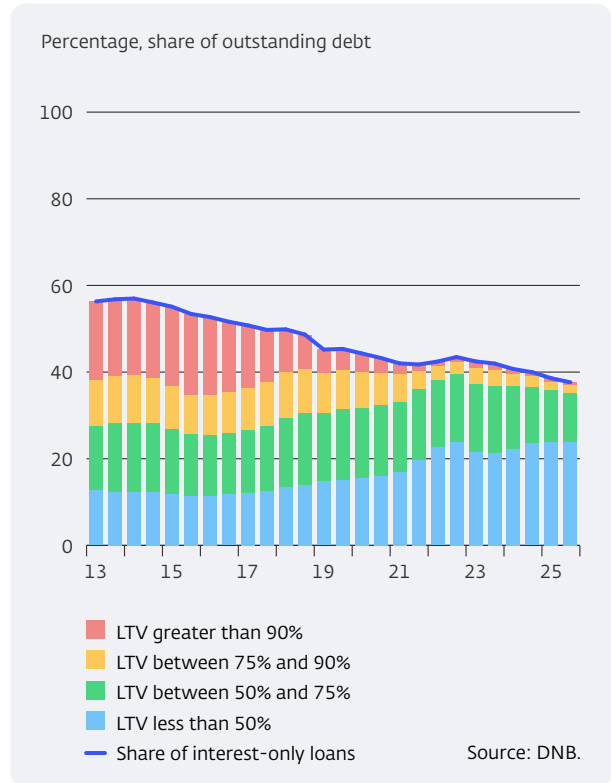


Figure 10 New mortgage loans by fixed-rate period



The declining trend in the share of interest-only mortgage loans within total mortgage debt has continued in recent years. By the third quarter of 2025, nearly 40% of mortgages issued by Dutch financial institutions were loans that are not repaid on a regular basis and that are not linked to a savings or investment product (Figure 11).⁷ Notably, interest-only mortgage loans tend to carry relatively low LTV ratios: only 7% of such loans have an LTV above 75%, compared with almost 20% for the total mortgage portfolio. This reduces the risk that collateral values will be insufficient to repay the outstanding balance at maturity. Even so, interest-only mortgage loans can be riskier in other respects.⁸ For example, lenders have limited visibility into whether borrowers will still be able to meet their mortgage payments after retirement.

Figure 11 Interest-only mortgage loans

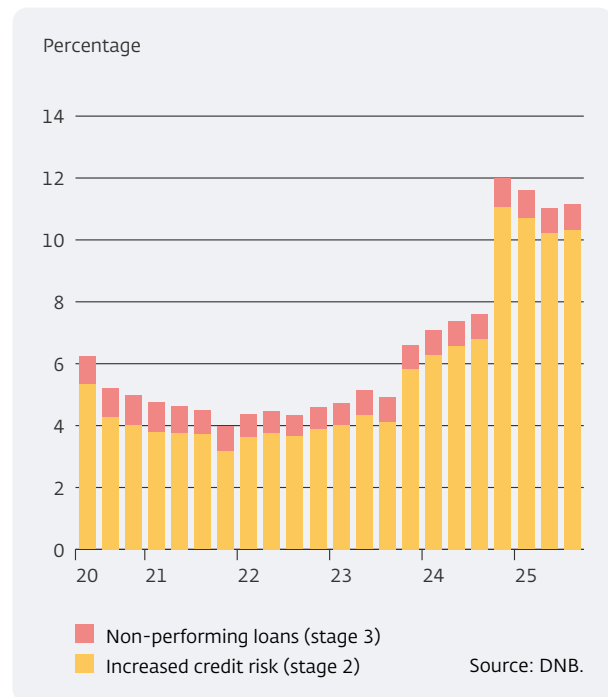


⁷ The ECB also qualifies endowment and investment-based mortgages as interest-only. These make up 4% of mortgage debt.

⁸ See also recent publications by the AFM and DNB on this subject.

Credit risks for financial institutions remain low overall, although a larger share of outstanding mortgage loans were reclassified as carrying higher risks. The share of non-performing Dutch mortgage loans (stage 3) has remained stable at around 0.8% for many years (Figure 12).⁹ However, the share of mortgage loans classified as having an increased credit risk (stage 2) has risen over the past two years. This development is largely due to banks tightening their risk management practices, particularly concerning interest-only loans. Despite the increase in stage 2 classifications, the direct credit risks associated with Dutch residential mortgages remain limited. One mitigating factor is the National Mortgage Guarantee (NHG), which covers roughly one-quarter of outstanding mortgages (see Figure A3 in the Annex). As a result, a house price decline would affect financial institutions mainly through its broader macroeconomic consequences rather than through direct credit losses.

Figure 12 Banks' credit risk



⁹ Figures from the Credit Registration Office also reveal a low number of households defaulting on their mortgage payments.

3 Conclusions and recommendations

Since regulatory lending standards were introduced in 2013, vulnerabilities associated with the high mortgage debt of Dutch households have gradually eased. As a result, households on average are now better able to absorb the impact of a potential house price decline or adverse income shock. Risks to financial stability have thus eased. Dutch household mortgage debt is still high compared with other countries, and the persistently tight housing market continues to incentivise risky borrowing behaviour. LTV ratios on new mortgages remain elevated, with many households borrowing as much as they are allowed. First-time buyers in particular must take on increasingly large debts to purchase a home, leaving them more exposed, on balance, than before 2022 to a house price decline or a negative income shock. The combination of high indebtedness and high-risk new mortgage loans means that the interaction between the housing market and mortgage debts remains a significant systemic risk for the Dutch economy.

Prudent lending standards therefore remain essential for containing financial stability risks. A relaxation of standards would be undesirable, especially in a period marked by geopolitical tensions and macroeconomic uncertainty. In the current strained market, looser lending rules would likely lead households to borrow even more aggressively in order to secure a home, thereby fuelling additional house price growth and further heightening financial stability risks.

The Netherlands already has one of the highest LTV limits internationally. Against this backdrop, organisations such as the IMF and the European Systemic Risk Board (ESRB) have recommended that the Dutch authorities consider tightening lending standards to reduce risks to financial stability. At the same time, stricter standards could reduce access to home ownership, which is already under pressure¹⁰. A lower LTV limit, for example, would especially affect first-time buyers in the short term by limiting their purchasing power. In today's tight housing market, such tightening would come at relatively high cost. However, in a more balanced housing market, with a better functioning rental sector, a lower LTV limit could support financial stability more effectively.

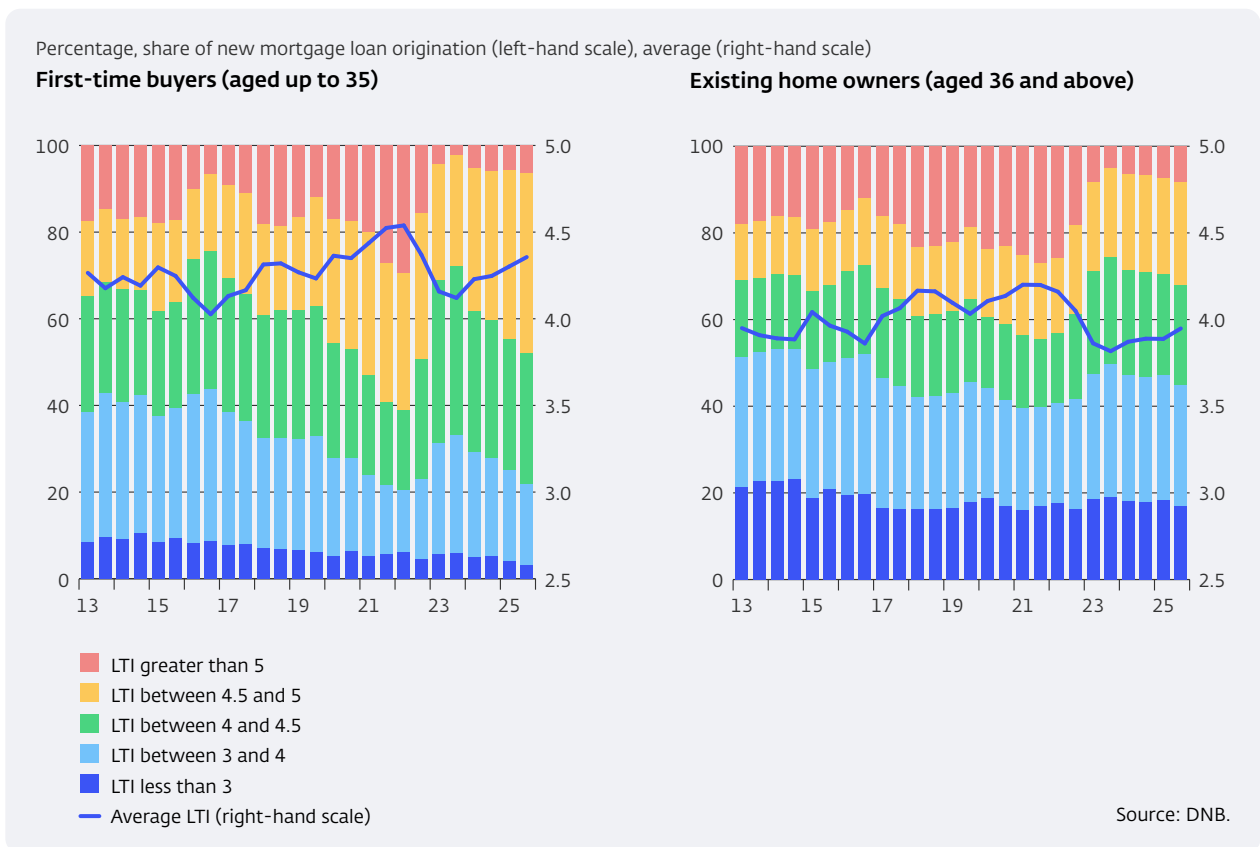
The link between lending standards and financial stability depends on a broader set of factors. Reliable property valuation is crucial for the effectiveness of LTV limits and for accurately assessing mortgage credit risk. Moreover, lending standards cannot be viewed in isolation from overall housing market policy. In the Netherlands, tax incentives for owner-occupied housing encourage home ownership and, in combination with generous lending standards, contribute to high mortgage debt and elevated house prices. Housing-market pressures are further amplified by insufficient new construction. A gradual reduction of tax incentives for home ownership, combined with measures to expand housing supply, would reduce households' incentives to borrow up to the maximum allowed and would help curb debt accumulation and related financial stability risks.

¹⁰ See CPB's [Owner-occupied housing accessibility monitor](#).

Annex

The indicators presented in this Annex are not discussed in the main text, but they form part of the broader set of metrics we aim to monitor annually. Together, they help provide a more comprehensive view of how risks to financial stability stemming from mortgage lending evolve over time.

Figure A1 Loan-to-Income ratio of new mortgage loans



Data and definitions

For this monitor, we use granular mortgage data collected by DNB, containing a wide range of characteristics for individual loans. The dataset covers mortgage loans on the balance sheets of Dutch banks, insurers, pension funds and investment institutions. In total, it includes around 87% of all mortgage loans held by financial institutions in the Netherlands, equivalent to approximately 85% of total household mortgage debt. Mortgage data reporting by banks was halted from mid-2022 to mid-2025. As a result, figures for bank mortgages during that period are derived from the stock of outstanding loans as reported in mid-2022 and at the end of 2025.

We distinguish between first-time buyers and existing home owners based on age. A household is classified as a first-time buyer if the oldest borrower is under 36 years old; in all other cases, a household is classified as an existing home owner.

New mortgages are defined as loans originated in the previous six months. These include mortgages taken out for purchasing a home as well as refinancing and increasing the principal of existing loans. The available data do not allow us to distinguish between these purposes. For simplicity, we refer to all newly originated mortgage loans as issued to either first-time buyers or existing home owners.

Figure A2 Mortgage interest rates on new loans

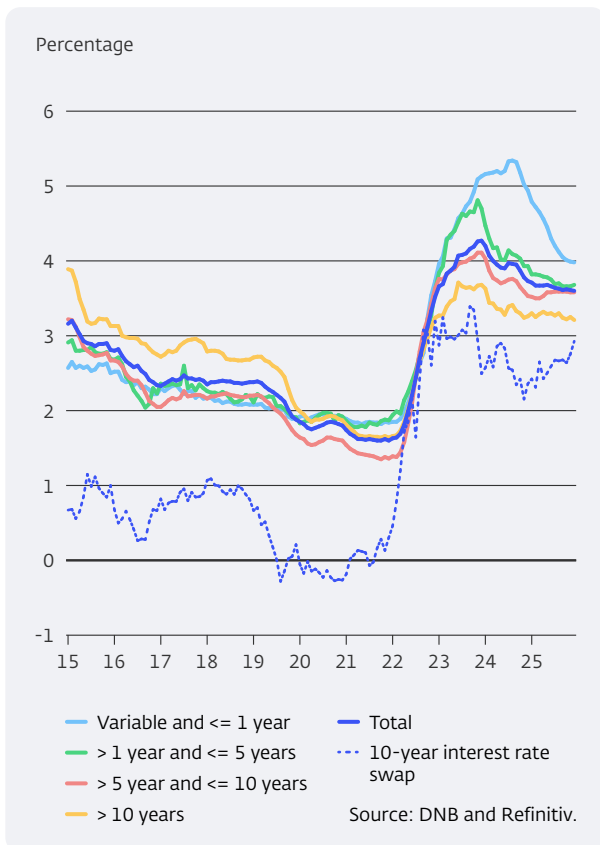
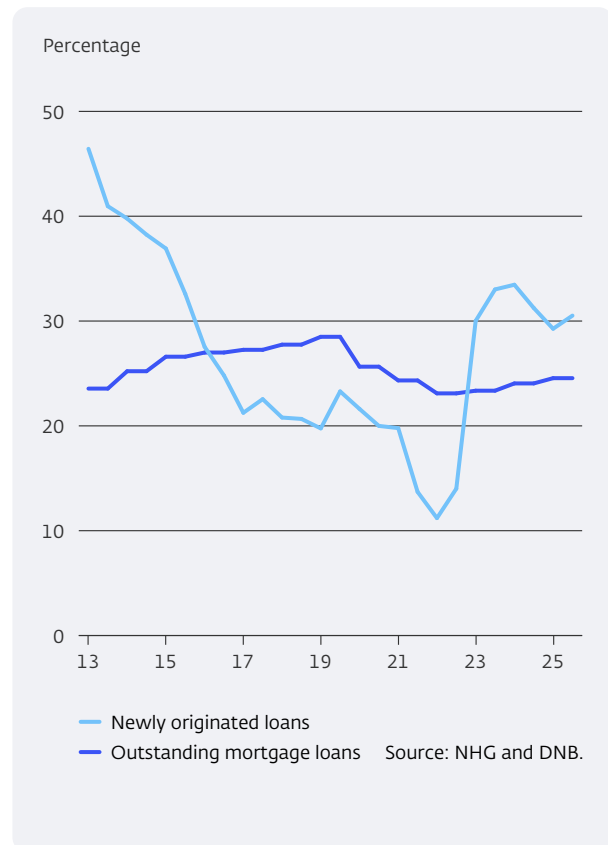



Figure A3 Mortgage loans with NHG cover



De Nederlandsche Bank N.V.
PO Box 98, 1000 AB Amsterdam
The Netherlands
+31 (0) 20 524 91 11
dnb.nl/en

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PO Box 11723, 1001 GS Amsterdam
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