

## **Discussion**

**The risks of the Dutch mortgage Portfolio, a micro econometric analysis of the DNB loan level data.**

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September 19, 2019

# Research Question

The Dutch mortgage market looks like a disaster waiting to happen –  
Will it happen and how?

- High LTV (30 pct > 100 pct)

- Large share of I/O (60 pct.)

- But low delinquencies and low risk weights

## Two Dutch peculiarities

1. Full deductability of interest on mortgages on your residence (still?)
2. Tax advantages in pension savings

⇒ Max mortgage on residence/Save in pensions

### Questions

1. Does mortgage institutions have a claim on pension.
2. Link simulations to impact of reducing tax deductability

# Research Method

## Microdata

- IPO data from CBS
- DNB Household Survey
- DNB loan level data (LLD)
  - Differently than all other micro data sets, the LLD report the mortgage type, the interest rate, participation into the mortgage guarantee (NHG), origination and maturity, current property evaluation and many more attributes at loan level. This allows highlighting and decomposing trends that were so far not visible, both across the data within a given period, but also over time. For example, the LLD allows proxying the saving deposits associated to amortizing mortgages and to study repayments, all of which is impossible using the current CBS data
- Question – How can you link LLD and IPO data – can you link via social security number?

# Results

-I/O less of a worry because many actually pay some amortization, I/O highest with elderly, and high LTV and LTI group small.

-Interest sensitivity limited/slow (> 5years for half of shock to spread)

-But, underwater mortgages are here to stay

-Questions

-When should we worry – what is the benchmark – what ultimately creates losses/have an impact on the economy?

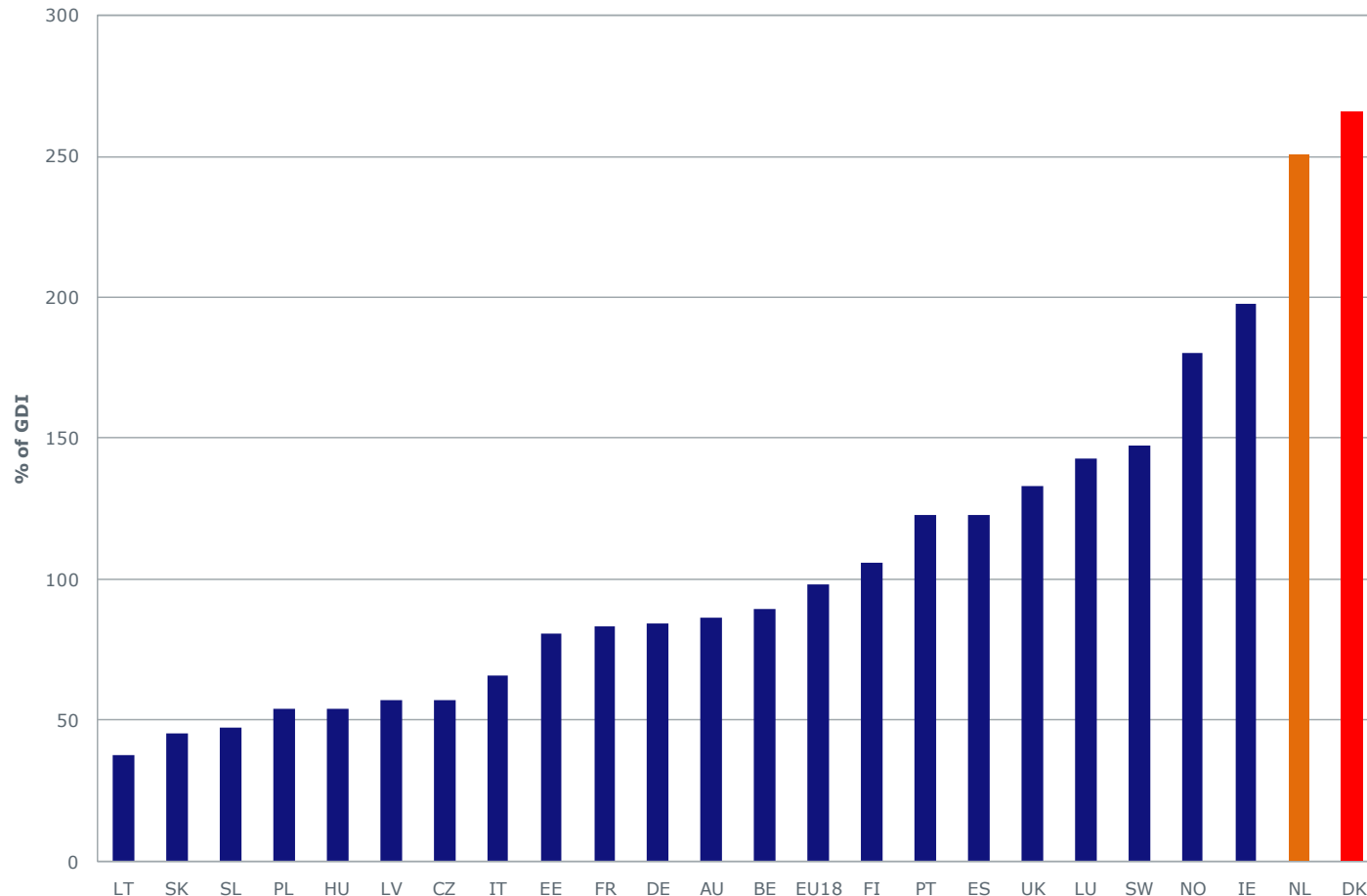
-Can we do better in linking loan and income data?

-Is variable rate bad or good for the economy?

# A Danish digression

You are not alone

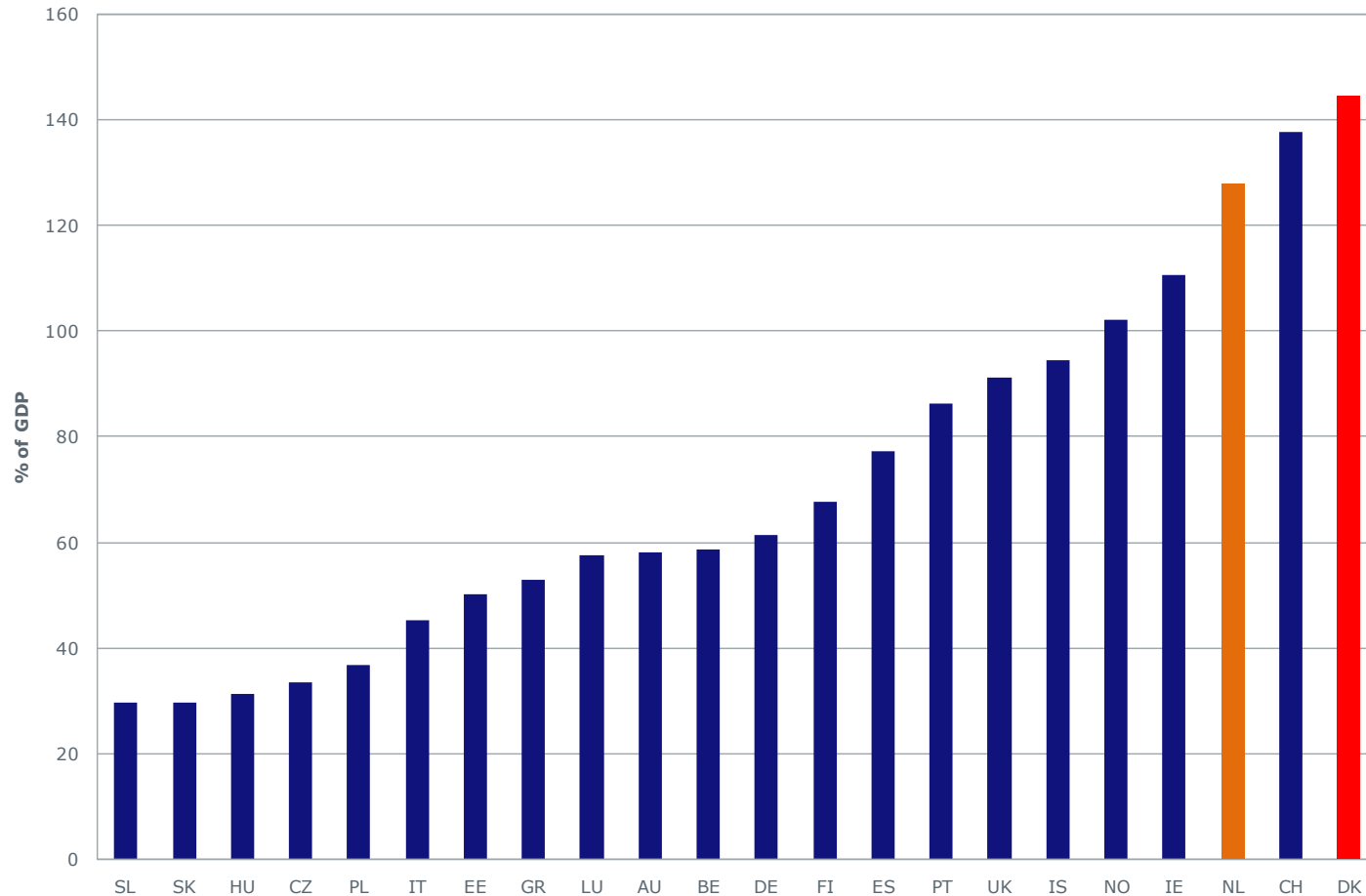
# Gross debt-to-income ratio of households (2012)



Source: Eurostat

Note: Gross debt-to-income ratio of households is defined as loans, liabilities divided by gross disposable income with the latter being adjusted for the change in the net equity of households in pension funds reserves

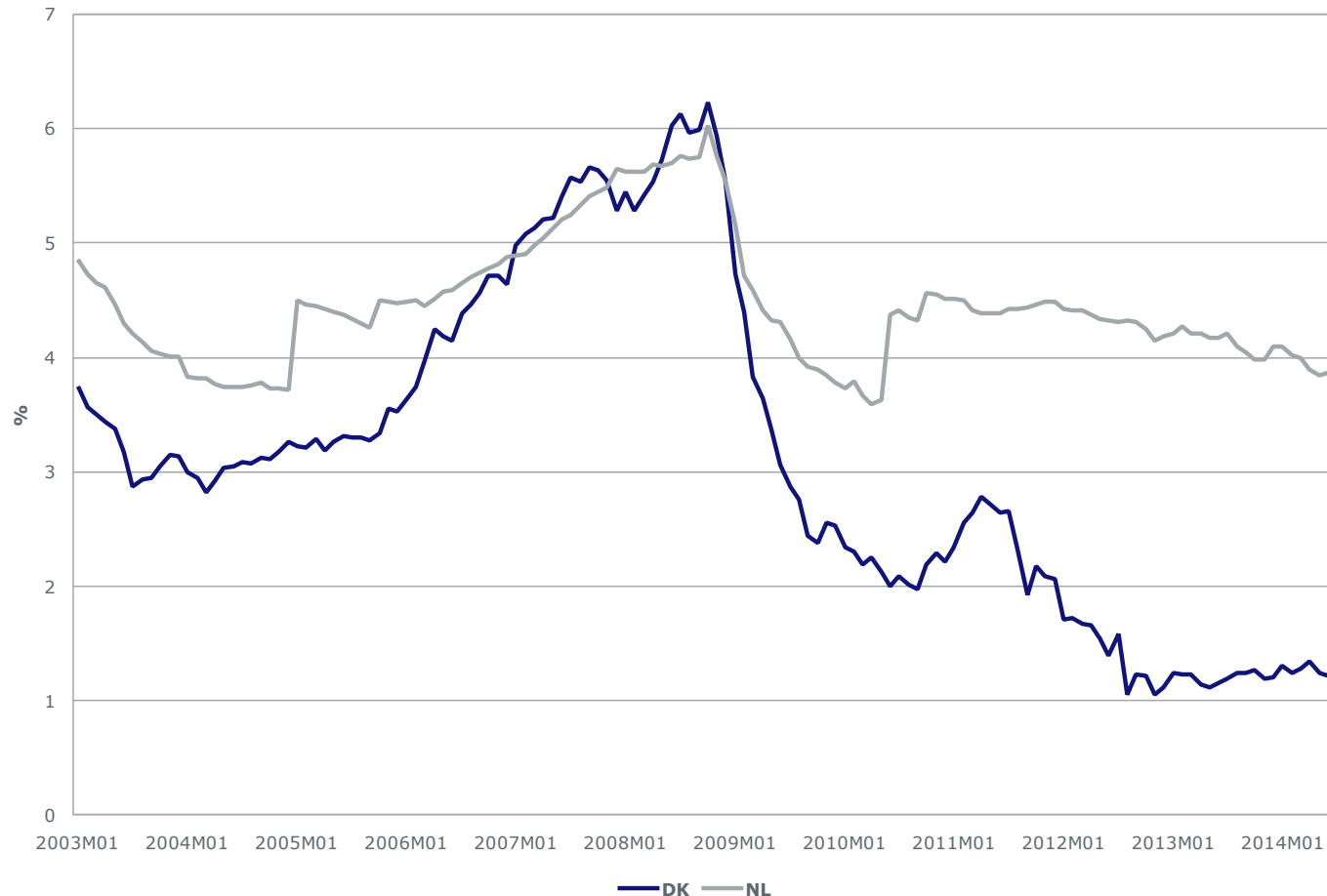
# Gross debt-to-GDP ratio of households (2012)



Source: OECD



# Interest rate of variable rate loans for house purchases (original maturity $\leq 1$ year) – MFI sector



Source: Danmarks Nationalbank and De Nederlandsche Bank

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## The Wealth and Debt of Danish Families

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*By Asger Lau Andersen, Anders Møller Christensen and Nick Fabrin Nielsen, Economics, Sigrød Alexandra Koob and Martin Oksbjerg, Statistics, and Ri Kaarup, Financial Markets*

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# Policy reflections

