



No 124-2021

Analyses and syntheses

Housing financing in 2020



GENERAL SUMMARY

Against a background of persistently low interest rates and a health crisis, **the French housing market remained resilient in 2020**: the number of sales in France has reached 1,024,000, down 4% from its 2019 peak, but far above the average of the last 3 years (999,000 sales). At the same time, the INSEE price index for existing properties continued to rise by 6.4% in metropolitan France, in a uniform manner between the Île-de-France region and the rest of the country, despite the slight decline observed in Paris in the fourth quarter (-0.1%). In this environment, the **annual production of housing loans amounted to EUR 252.4 billion in 2020, i.e. an increase of 2.4% compared with 2019**; moreover, although it has decelerated slightly from its peak in May 2020, reaching 242 billion in March 2021 over a 12-month rolling period, loan production remains well above its annual average since end-2003 (156.7 billion). At the same time, outstanding housing loans grew by 5.4% year-on-year, while other loans to individuals fell by 0.5%.

Despite sound fundamentals, the evolution of household borrowing conditions in France remains a concern for financial stability. **The French home lending model is based on three pillars**: 1/ **these loans are almost exclusively granted at a fixed rate** (99.4% of the production in 2020 and 96.7% of outstanding loans at the end of the year), thus limiting the risks associated with a potential rise in interest rates for households. 2/ **almost all outstanding loans (97.5%) benefit from protection**, particularly of a guarantee or mortgage type, which limits bank losses in the event of a borrower's default; 3/ **the granting policy is based primarily on the assessment of the borrower's solvency**, as measured in particular through the debt service to income ratio or DSTI, and not on the market value of the financed property, thus limiting the phenomenon of financial amplification.

In 2020, the dynamics of real estate credit contributed to a rise in household debt: at the end of the year, it reached 102% of gross disposable income, a figure that was up 3.8 percentage points (pts) and higher than the euro area average (97.5%; +2.4 pts). The High Council for Financial Stability (HCSF) issued a recommendation on 20 December 2019, then amended on 28 January 2021, to limit the DSTI to 35% of pre-tax disposable income and the maturity of home loans to 25 years (to which a maximum grace period of two years may be added in cases

where the date of entry into possession of the property is different from the date of granting of the loan). A flexibility margin of up to 20% of the quarterly production of new loans allows institutions to deviate from the criteria, provided that at least 80% of the maximum flexibility is reserved for purchasers of their main residence with at least 30% of the maximum flexibility reserved for first-time buyers (with the remaining 20% of the maximum flexibility, i.e. 4% of the quarterly production, being free to use).

Data collected by the *Autorité de contrôle prudentiel et de résolution* (ACPR) show a **gradual normalisation of most credit granting criteria over the period from January 2020 to February 2021¹, without any decline being observed in the average loan amount**:

- **The average loan amount** was EUR 181,029 in February 2021, i.e. a 3.2% increase, slower than real estate prices;
- **The share of new loans with maturities above 25 years declined by 4.4 pts to 8.3%**, while the average maturity receded slightly to 21.5 years (-1.4 month);
- **The share of new loans with a DSTI ratio above 35% declined by 8.5 pts to reach 23.5%**, while the average DSTI ratio for new loans fell by 0.8 pt to 30.1%;
- The average Debt-to-Income (DTI) ratio declined slightly from 1.1 month to reach 5 years;
- The ratio between the loan amount and the value of the property being financed (loan to value ratio, or LTV) fell by 2.7 pts to 82.7%. Moreover, **the share of LTVs above 100% fell by 7.2 pts to stand at 24.2%**.

The gradual normalisation of criteria such as maturity and DSTI has led to a decline in the share of loans that do not comply with the HCSF's Recommendation R-2021-1, which in the first quarter of 2021 stood at 28.8% before taking into account the 20% flexibility margin provided for in the Recommendation; the trend continued in the second quarter of 2021, with the rate of non-compliant loans reaching 25.3% in April 2021 and 23.6% in May. For most institutions, on a consolidated basis, loan production does comply with the recommendation of a 20% or less flexibility margin, while compliance with the share of main residences and first-time buyers is also improving.

¹ Latest data available for the CREDITHAB reporting set up by ACPR instruction 2020-I-02.

Based on the figures for April and May, the downward trend in non-compliant loans continues.

All in all, the **risks remain contained, as evidenced by the low level of delinquency**, both in terms of stock (the non-performing loan ratio that stood at 1.06% at 31 December 2020, is down by 14 basis points (bps) compared with 2019) and in terms of flows (12-month defaults accounted for 0.42% of outstanding loans in the first quarter of 2021, the lowest level since mid-2015). The cost of risk remains negligible, at 0.7 bps in 2020. This reduced level of losses is reflected in the low risk weights, which continue to decline by 0.7 pt in 12 months to reach 10.3% in June 2020, but which remain within the norm for countries covered by the European Banking Authority's transparency exercise, especially when taking into account risk coverage by housing loan guarantors. Moreover, at the beginning of this year, the ACPR conducted a new stress-testing exercise for leading housing loan guarantors in France, following that conducted in 2018, which used the same scenarios and methodology as the exercise conducted by the EBA in 2021; following this exercise, it appears that all guarantors would be able to withstand a huge macroeconomic shock in the housing market while still covering banks' losses.

Lastly, the HCSF also wished to draw the attention of credit institutions to the importance of pricing home loans in a way that does not undermine the French housing financing model. The use of the new "RENT_IMMO" reporting template, as implemented by ACPR Instruction 2020-I-04, shows that margins rose between the first quarter of 2020 and the first quarter of 2021, mainly as a result of lower internal transfer pricing. Despite the heterogeneity of calculation methods, the decline in internal transfer pricing reflects improvements in market conditions, including lower swap rates against Euribor, following the monetary policy measures implemented by the European Central Bank in the spring of 2020.

While risks remain contained, the ACPR and Banque de France remain particularly vigilant as regards the impact of the health crisis on housing loan losses, as well as the impact of the recent rise in long-term interest rates on the profitability of these loans. Moreover, the monitoring of granting criteria will be strengthened with the transformation of the HCSF recommendation into a binding standard by the end of the summer.

Keywords: retail housing loans, average duration, average maturity, loan to value, debt service to income, doubtful outstanding loans and provisions, cost of risk
JEL codes: G21, R21, R31

Study by Laurent FAIVRE

TABLE OF CONTENTS

Key figures	5
Methodology	6
The housing loan market remains dynamic	7
1. Prices continued to pick up and transaction volumes remained high	7
2. Loan production is up compared with 2019, supported by persistently low interest rates which continued to decline in 2020 and early 2021	8
3. Loan production excluding loan transfers and renegotiations is still dominated by main residences	11
4. The production of bridge loans remained dynamic, albeit marginal	12
5. Fixed-rate loans are still overwhelmingly predominant	12
6. Mutual banking groups are still key market players	13
7. The share of guaranteed loans, which remain an overwhelming majority, continues to grow	14
Borrowers continue to pose little risk	16
1. The average loan amount is only slightly increasing	16
2. A sharp decline in the share of maturities exceeding 25 years	17
3. A sharp decline in DSTI ratios above 35%	20
4. A relatively stable DTI ratio	23
5. The average LTV ratio is down, negative equity also in decline	24
6. A recommendation by the High Council for Financial Stability with which most institutions have gradually complied	27
Housing financing risks remain contained	30
1. A slight decline in the share of housing loans in total lending in France	30
2. Gross doubtful loans are down	30
3. A slight increase in provisioning	34
4. The cost of risk was down	35
5. The average risk weight was above average when taking into account the impact of secured loans	36
6. Margins went up due to lower internal transfer price rates	37

Key figures²

Outstanding loan amount and loan production



Outstanding retail housing loan amount	EUR 1,137 bn	+5.4%	▲
% of fixed-rate loans	96.7%	+0.7pt	▲
% of collateralised loans	97.5%	+0.2 pt	▲
Annual retail housing loan production	EUR 252 bn	+2.4%	▲
% of external loan transfers	23.6%	+1.9 pts	▲

Granting criteria and loss ratio



Granting criteria			
Average loan amount	EUR 181 k	+3.2%	▲
Average loan duration	21.5 years	-1.4 months	▼
% of loans with a duration > 25 years	8.3%	-4.4pts	▼
Average DSTI ratio	30.1%	-0.8 pts	▼
% of loans with a DSTI ratio > 35%	23.5%	-8.5 pts	▼
Average LTI ratio	5.0 years	-1.1 months	▼
Average LTV ratio	82.7%	-2.7 pts	▼
% of loans with a LTV ratio > 100%	24.2%	-7.2 pts	▼
Loss ratios			
Gross non-performing loan rate	1.06%	-0.14 pts	▼
Cost of risk	0.7 bps	-2 bps	▼

² Outstanding amounts, production and losses: figures as at 31 December 2020 (or for the year 2020) and changes compared to 2019. Granting criteria: monthly data for February 2021 as compared to January 2020.

Methodology

This "*Analyses et Synthèses*" publication is based on the answers collected by the General Secretariat of the ACPR (SGACPR) during its annual survey on housing financing for 2020, and on data from the monthly monitoring of the production of loans to individuals set up by the ACPR in September 2011 with a sample of representative banks.

Since the last publication, this monthly monitoring has undergone significant adjustments, notably following the implementation of ACPR Instructions 2020-I-02 and 2021-I-02 amending the CREDITHAB reporting template, in order to ensure a close follow-up of the HCSF's recommendations. These amendments, involving major methodological changes (in terms of scope, of definition of granting criteria, method for calculating averages), led to material breaks in the historical series. The Charts on the long-term evolution of granting criteria are therefore not presented in this year's analysis.

Moreover, the new reporting template RENT_IMMO (ACPR instruction 2020-I-04) is used to measure the profitability of housing loans after deducting the main associated costs (refinancing, risk, management, capital) and possibly taking into account ancillary income.

The analysis is also based on statistical data from Banque de France and external sources (INSEE, the General Council for the Environment and Sustainable Development (CGEDD), etc.), as well as on information published by the EBA in its annual transparency exercise, which allows for some international-scale comparisons.

As was done in 2019, the SGACPR contacted the main guarantors of housing loans (*Crédit Logement*, *Caisse d'Assurances Mutuelles du Crédit Agricole* (CAMCA; Crédit Agricole group), *Compagnie européenne des Garanties et Cautions* (CEGC; BPCE group), *Parnasse Garanties* (BPCE Group) and *CM-CIC Caution Habitat* (Crédit Mutuel group), as well as the *Société de Gestion des Financements et de la Garantie de l'Accession Sociale à la Propriété* (SGFGAS) in order to obtain detailed information on the amount of loans covered by guarantees.

As every year, several institutions were able, when submitting their numbers for 2020, to supplement or modify their data for previous years, thereby improving the representativeness of several indicators and correcting reporting errors. As a result, some figures in this study may differ from those published in respect of previous years.

The housing loan market remains dynamic

1. Prices continued to pick up and transaction volumes remained high

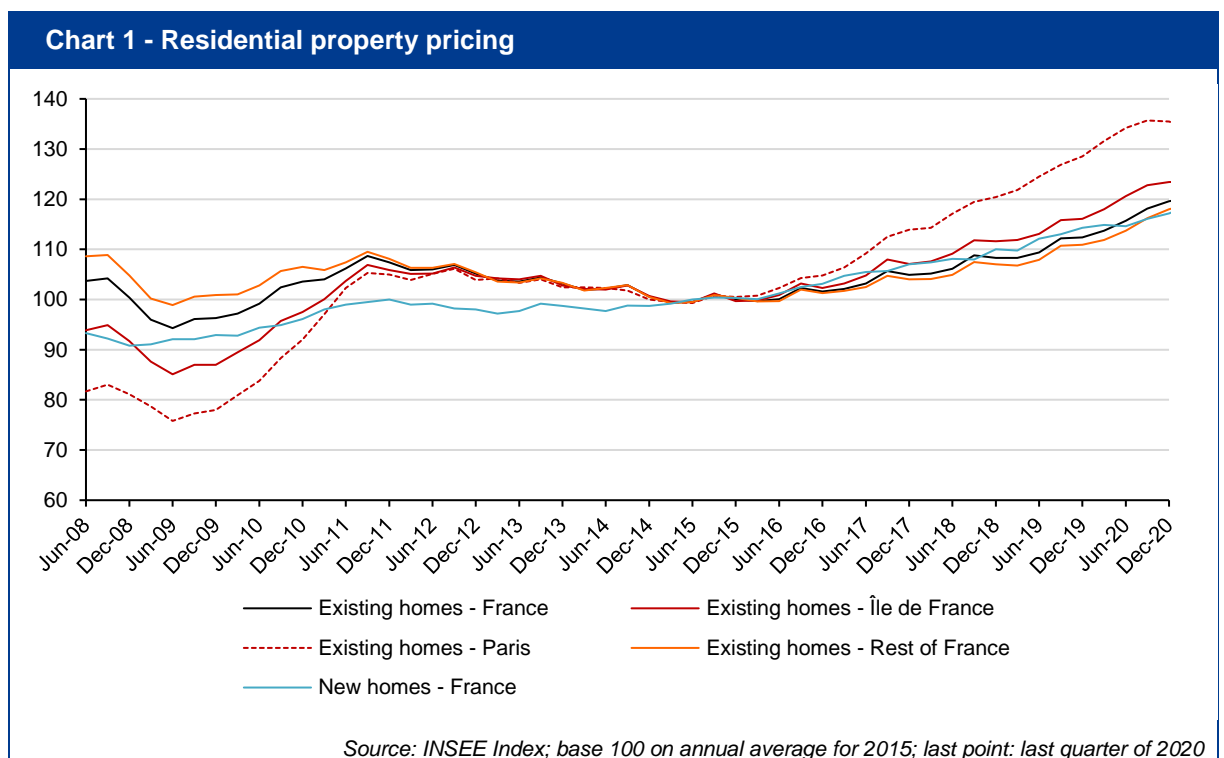
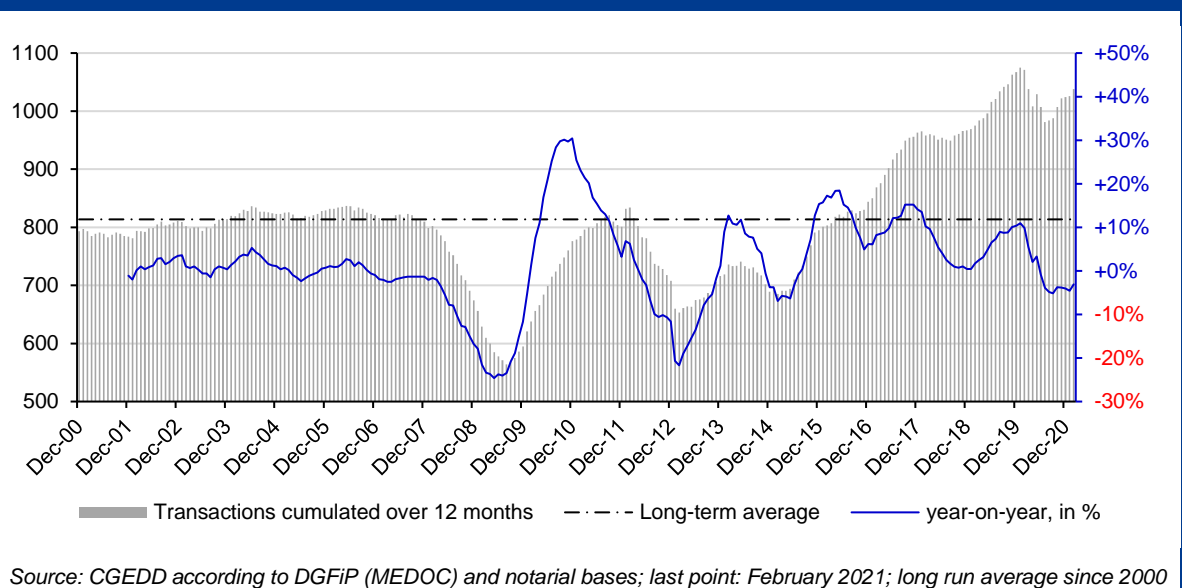


Chart 2 - Transactions in existing housing (cumulative over 1 year, in thousands)



2. Loan production is up compared with 2019, supported by persistently low interest rates which continued to decline in 2020 and early 2021

Chart 3 - Interest rates of new housing loans

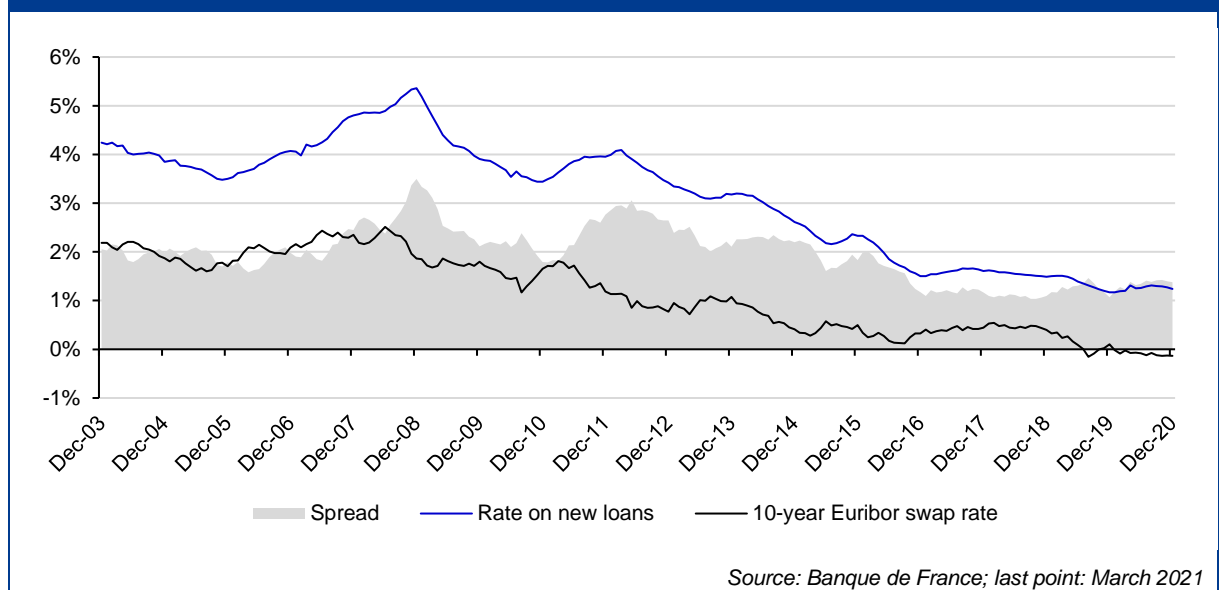
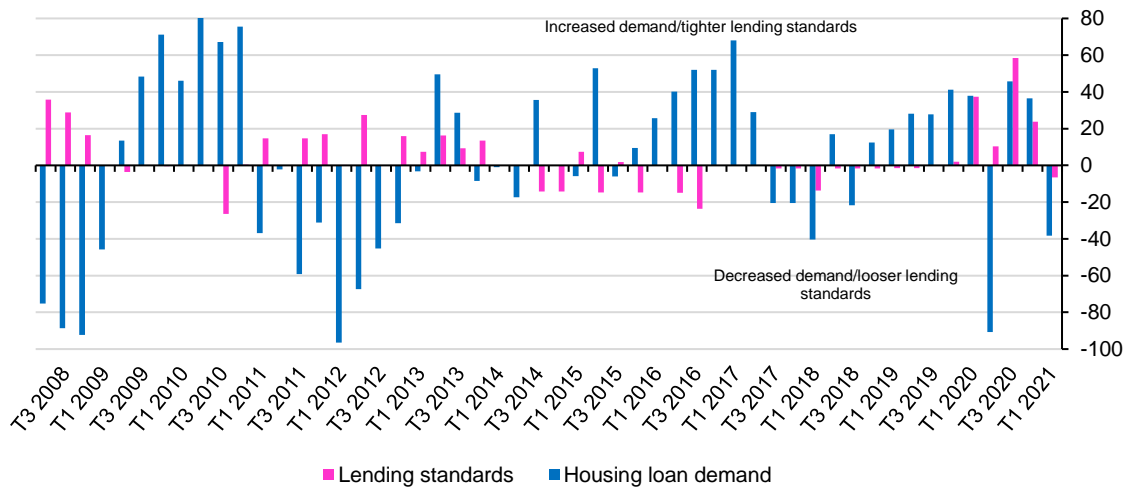
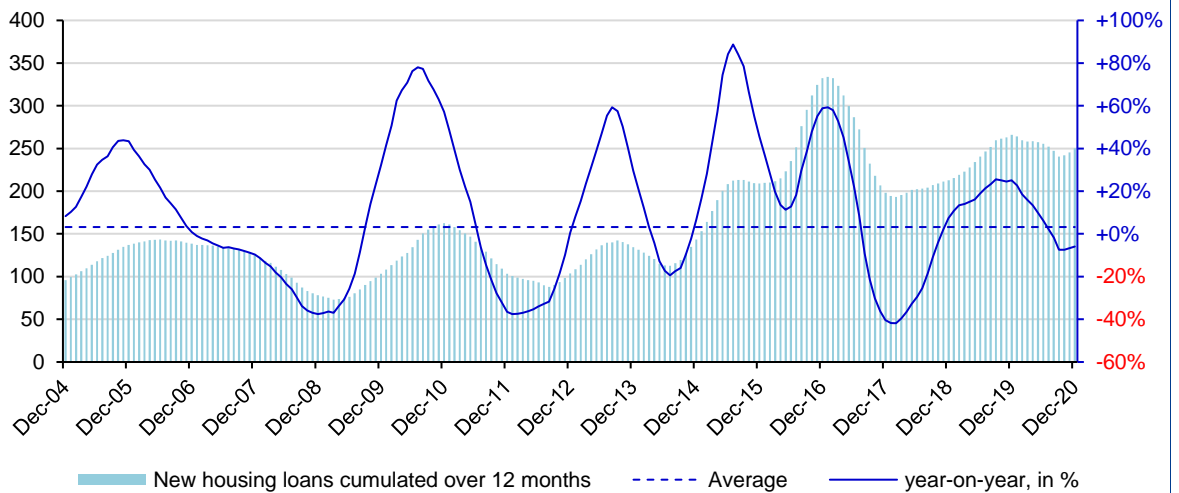


Chart 4 - Changes in the supply and demand of housing loans



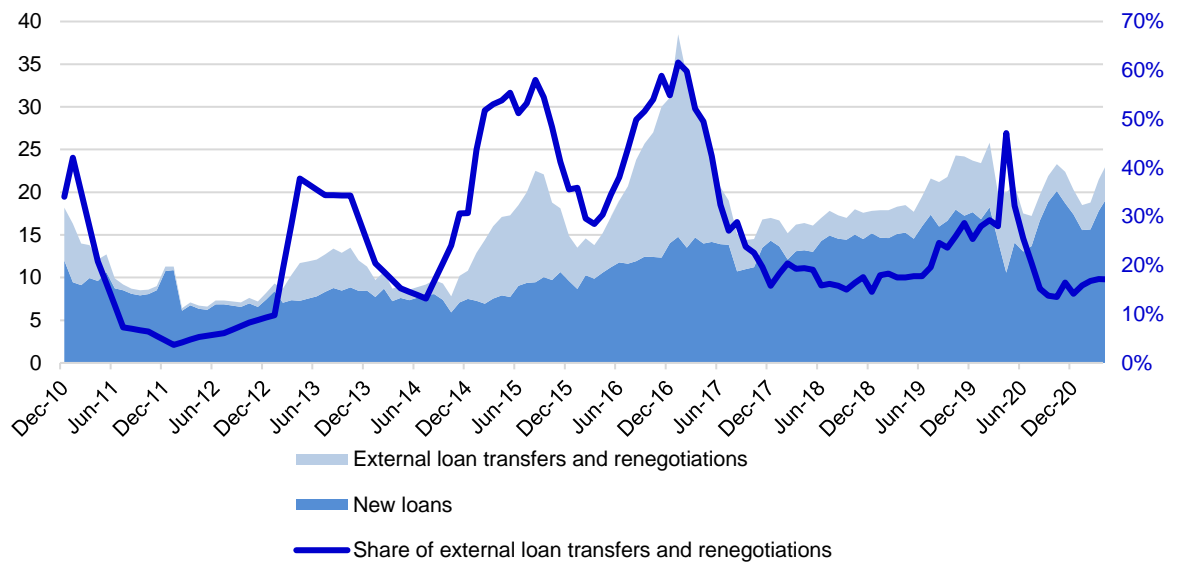
Source: Banque de France, Monthly Survey of Banks on Credit Distribution in France; last point: March 2021

Chart 5 - Production of housing loans (EUR billions)



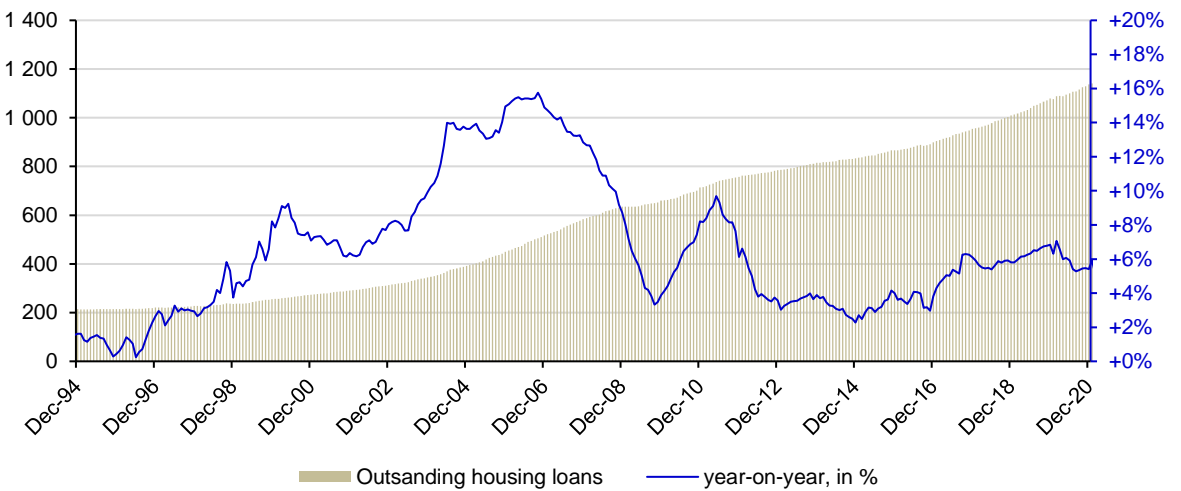
Source: Banque de France; New housing loans, CVS flows, cumulative over 12 months; last point: March 2021

Chart 6 - Monthly production of housing loans, external loan transfers and renegotiations (EUR billions)



Source: Banque de France; New home loans, CVS flows; last point: March 2021

Chart 7 - Outstanding retail housing loans (EUR billions)



Source: Banque de France, Home loans to resident individuals (reintegrated securitised outstanding amounts); last point: March 2021

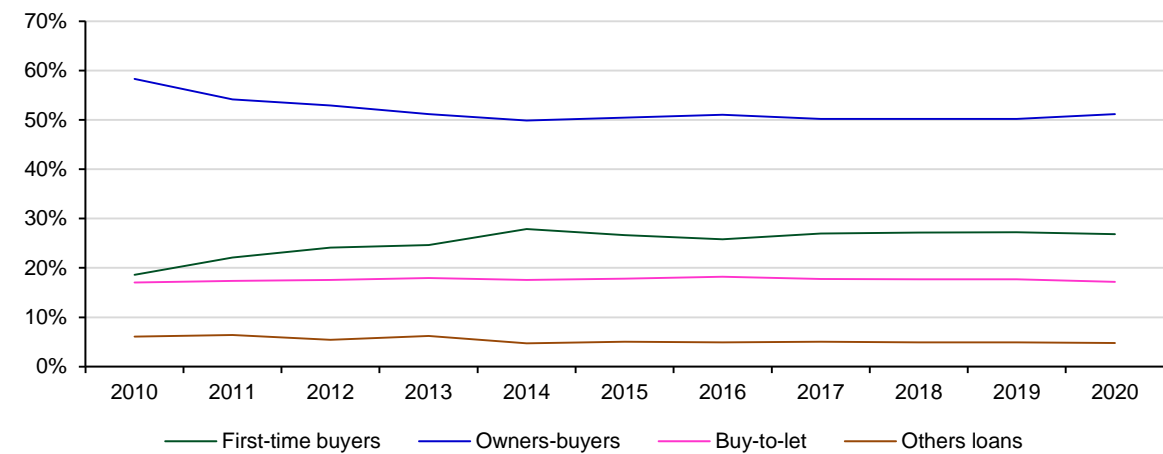
3. Loan production excluding loan transfers and renegotiations is still dominated by main residences³

Chart 8 - Changes in the structure of the monthly production of housing loans excluding loan transfers and renegotiations



Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

Chart 9 - Changes in the structure of outstanding home loans to individuals excluding loan transfers and renegotiations

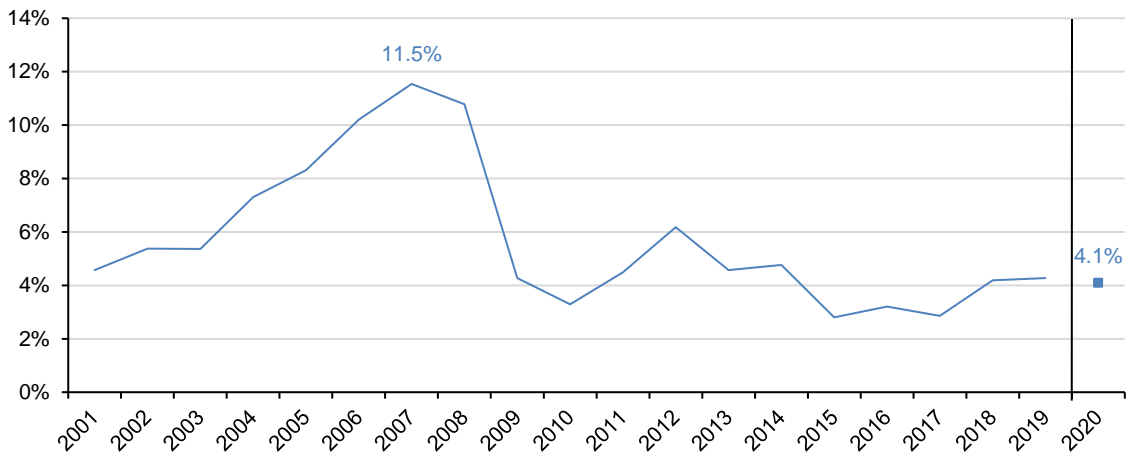


Source: ACPR, Annual Housing Financing Survey

³ The main residence category covers first-time buyers and buyers that are already homeowners.

4. The production of bridge loans remained dynamic, albeit marginal

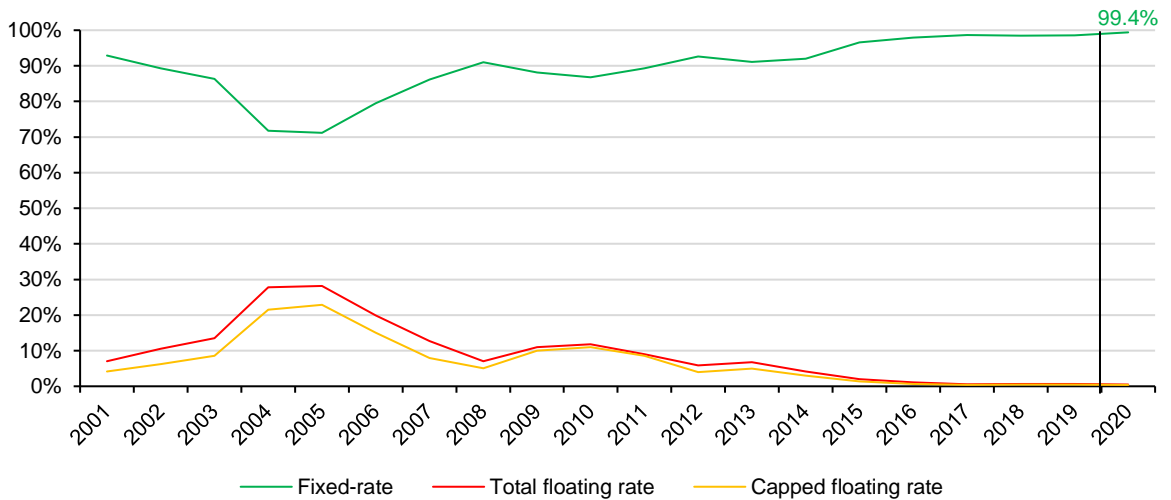
Chart 10 – Share of bridge loans in the annual production of housing loans



Source: ACPR, an annual survey on housing financing and monthly monitoring of the production of housing loans (average data over 12 rolling months); the vertical bar marks the statistical break caused by the transition to the new CREDITHAB reporting template (ACPR instruction 2020-I-02)

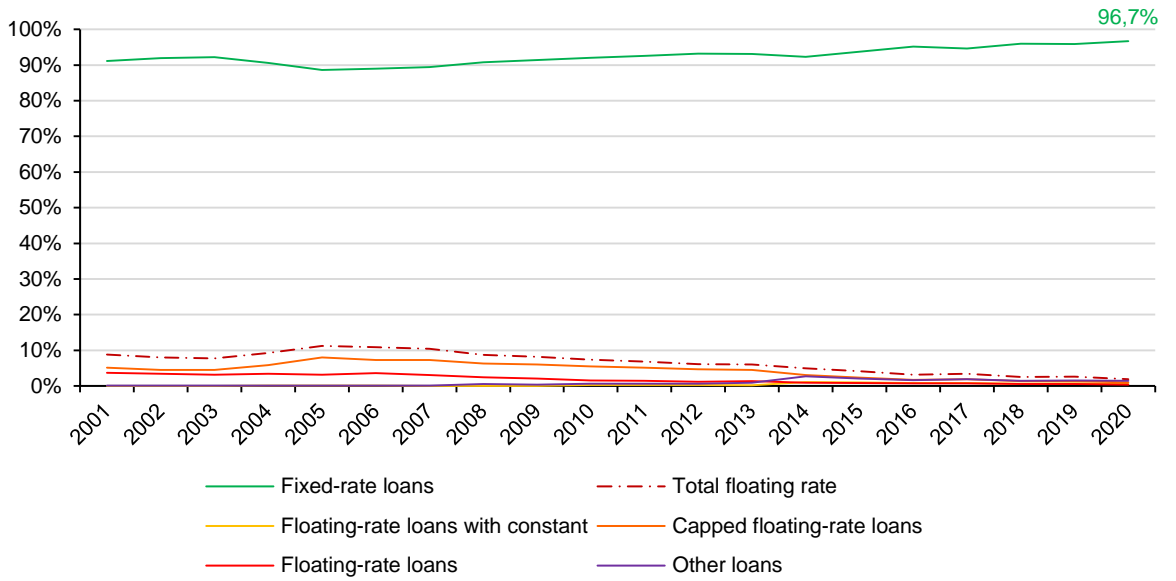
5. Fixed-rate loans are still overwhelmingly predominant

Chart 11 - Production broken down by interest rate type



Source: ACPR, monthly monitoring of the production of housing loans; 12-month rolling average data; the vertical bar marks the statistical break caused by the transition to the new CREDITHAB reporting template (ACPR instruction 2020-I-02)

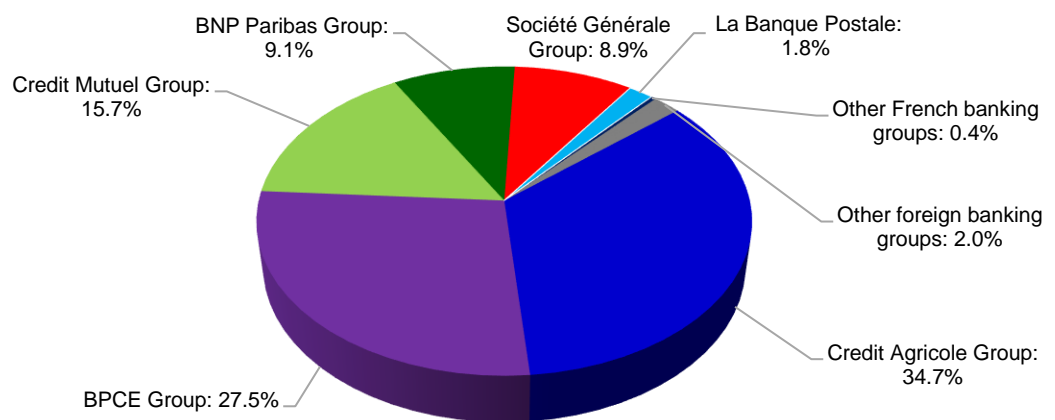
Chart 12 - Structure of outstanding loans by type of interest rate



Source: ACPR, Annual Housing Financing Survey

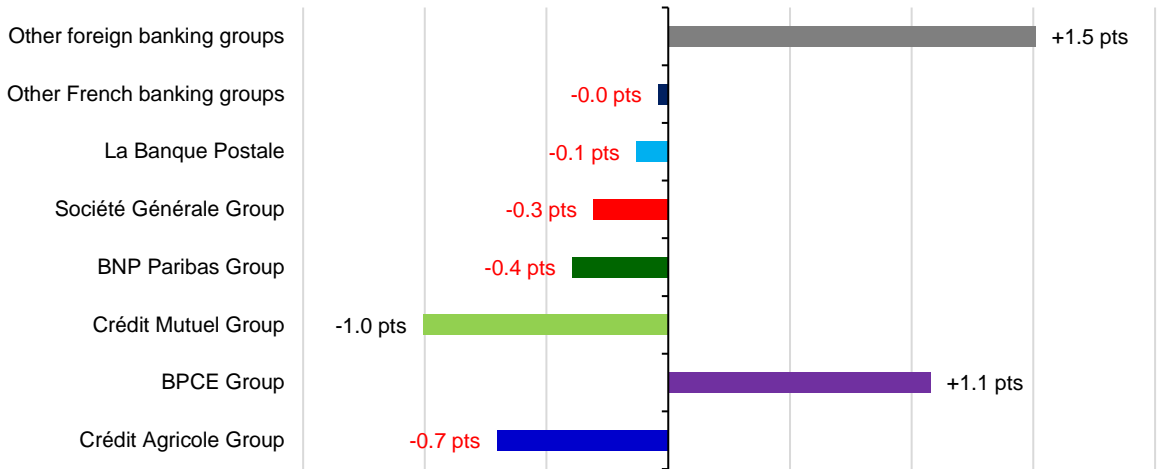
6. Mutual banking groups are still key market players

Chart 13 - Market shares of the various banking groups as at 30 June 2020 (outstanding amounts)



Source: EBA, Transparency exercise; ACPR calculations for all banks that have reported exposures to France

Chart 14 - Evolution of the market shares of the various banking groups between 30 June 2019 and 30 June 2020 (outstanding amounts)

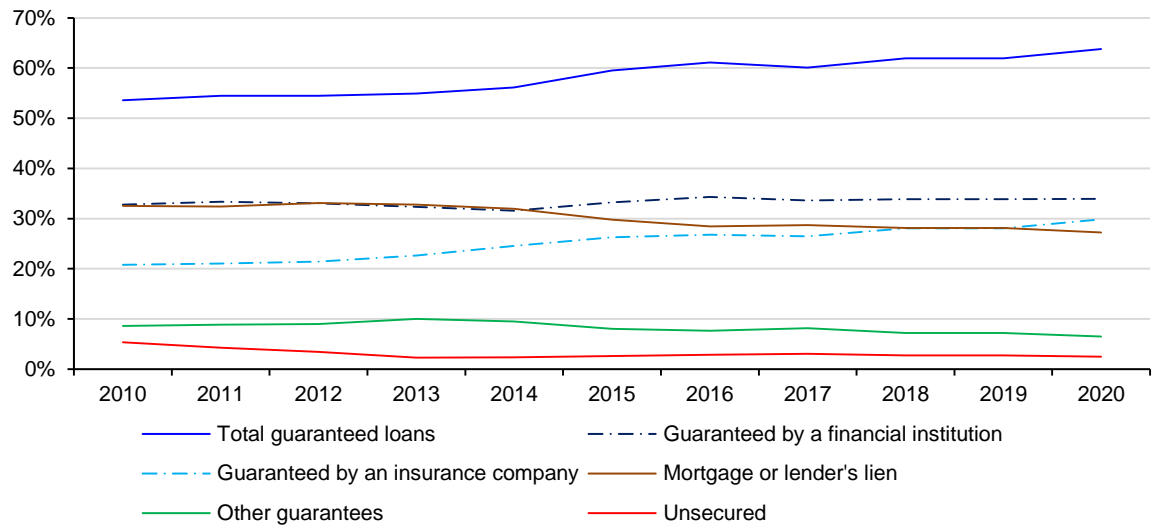


Source: EBA, Transparency exercise; ACPR calculations for all banks that have reported exposures to France

The increase in the market share of foreign banks was exclusively driven by HSBC

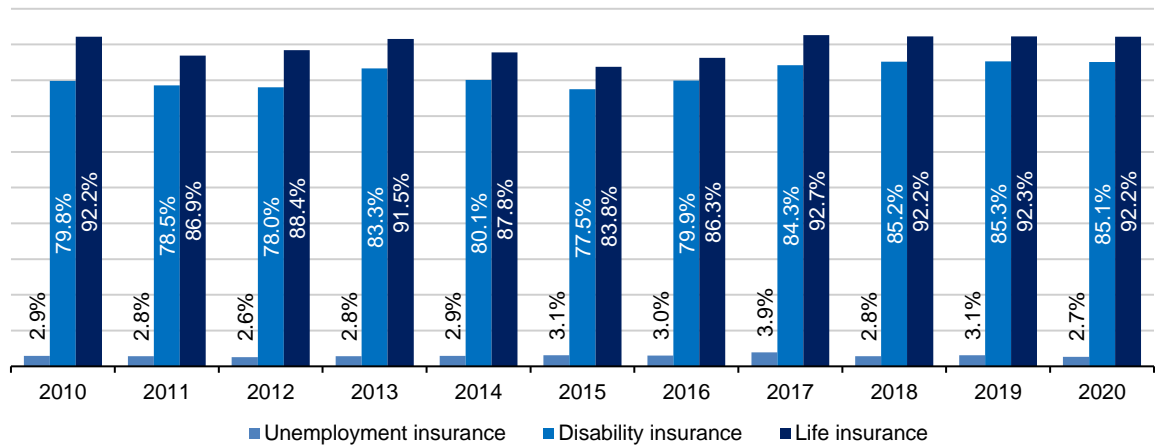
7. The share of guaranteed loans, which remain an overwhelming majority, continues to grow

Chart 15 - Structure of outstanding loans by type of guarantee



Source: ACPR, Annual Housing Financing Survey

Chart 16 - Share of insured borrowers

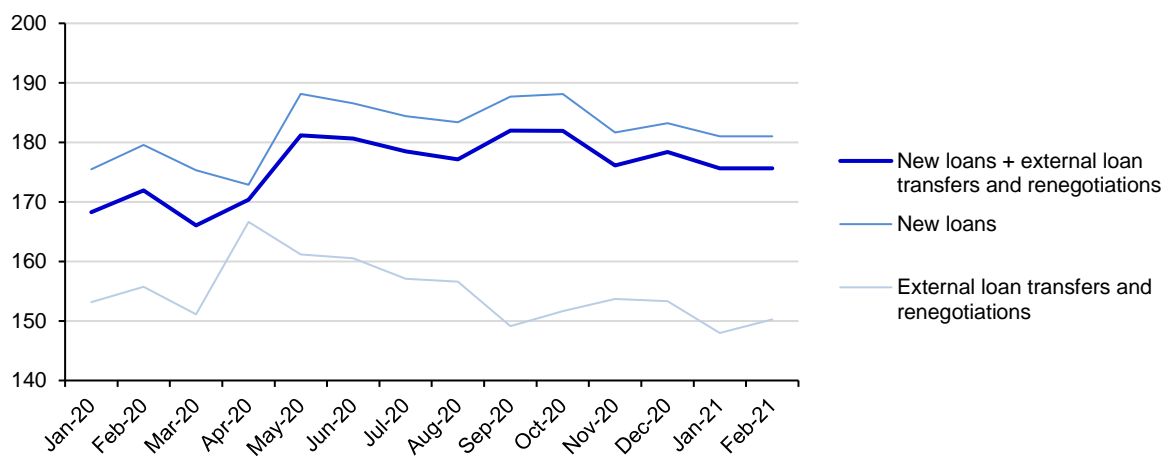


Source: ACPR, Annual Housing Financing Survey

Borrowers continue to pose little risk⁴

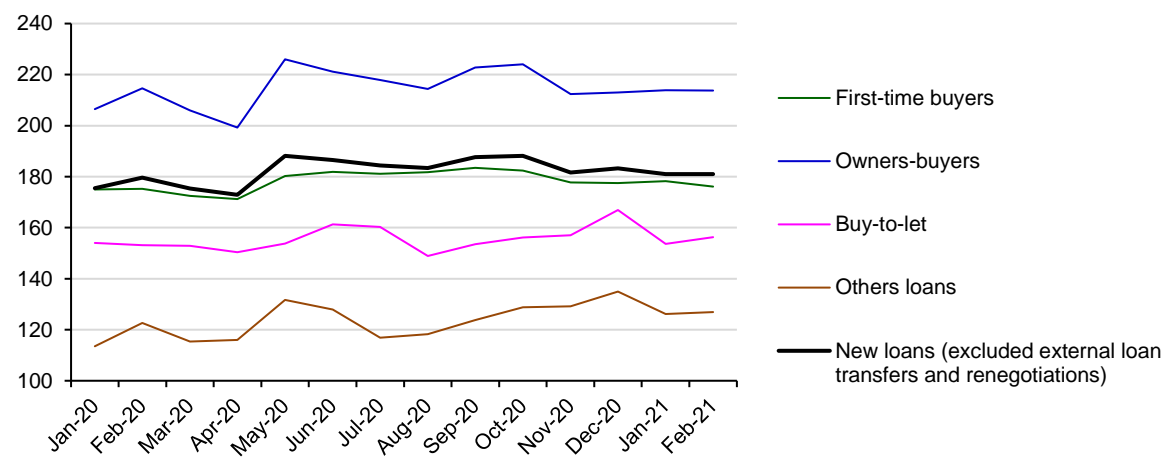
1. The average loan amount is only slightly increasing

Chart 17 - Average loan amount by type of transaction (EUR thousands)



Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

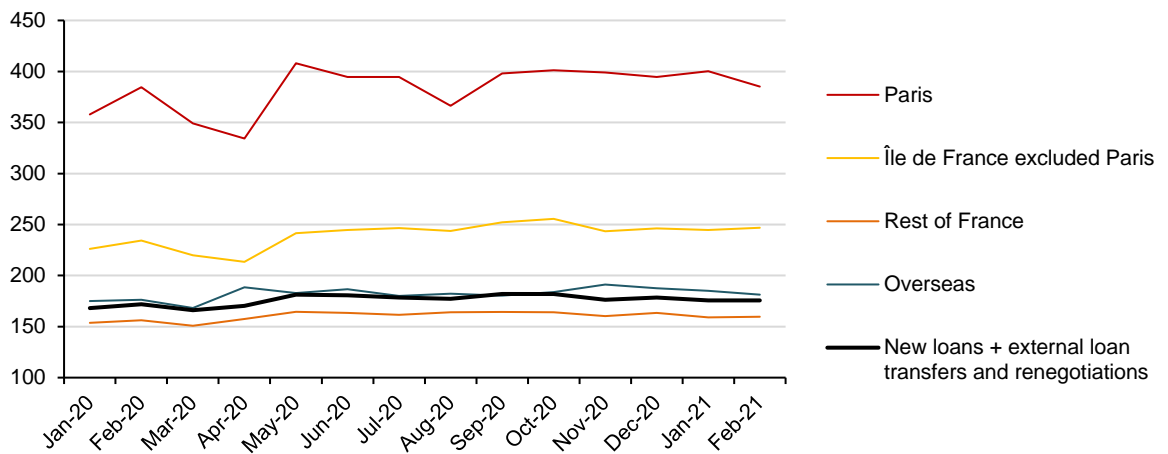
Chart 18 - Average loan amount by purpose (EUR thousands)



Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

⁴ The granting criteria (average, distribution) exclude bridge loans from the scope.

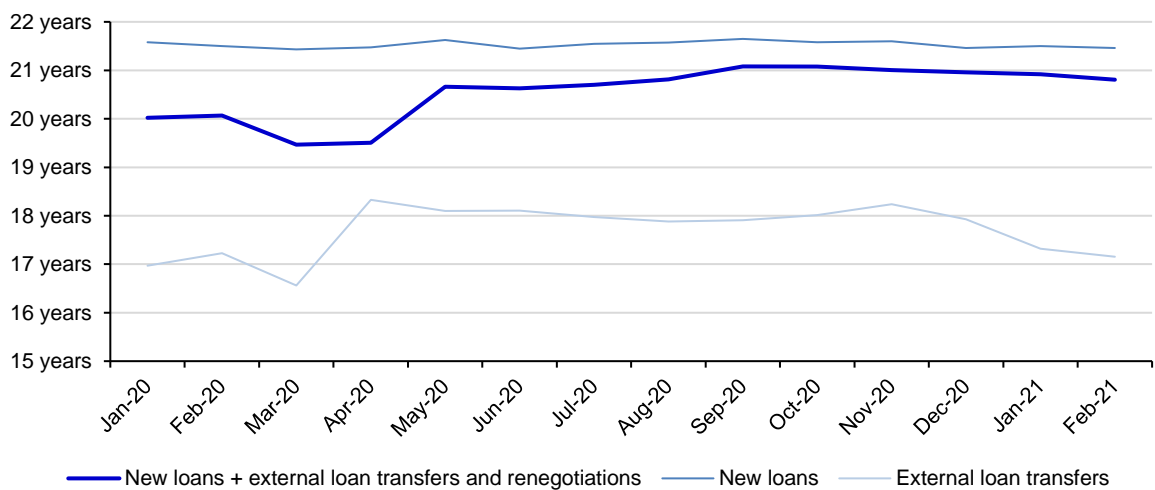
Chart 19 - Average loan amount by location (EUR thousands)



Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

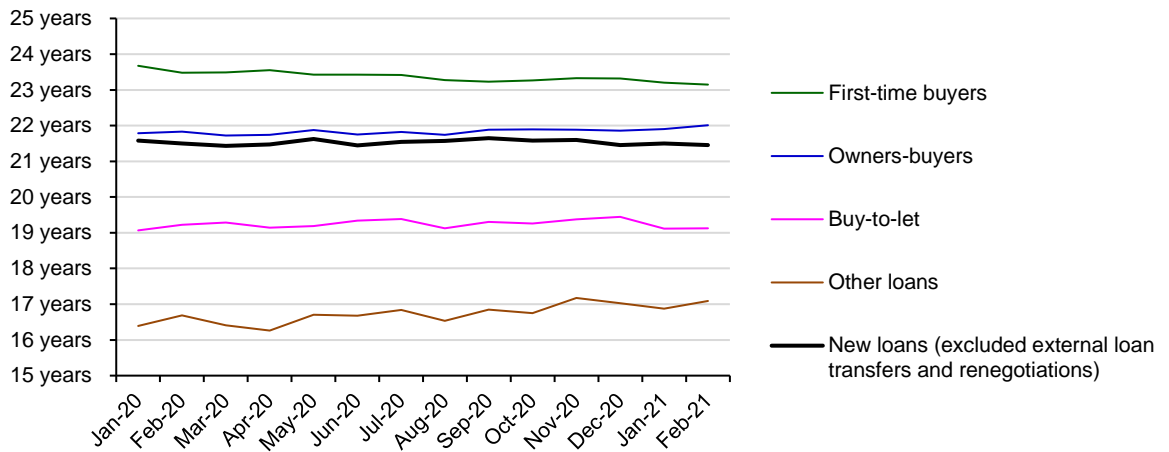
2. A sharp decline in the share of maturities exceeding 25 years

Chart 20 - Initial duration according to the type of transaction



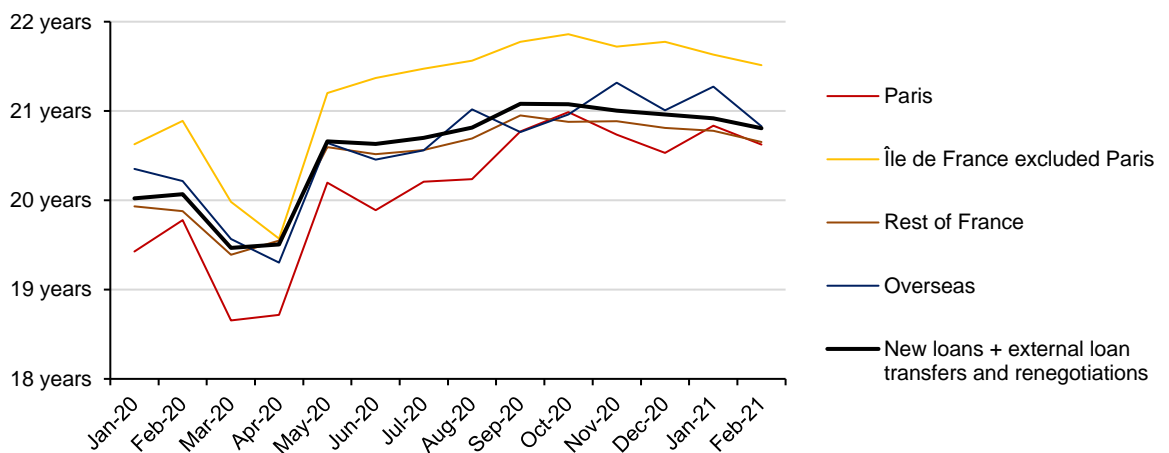
Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

Chart 21 - Initial duration of transactions according to purpose



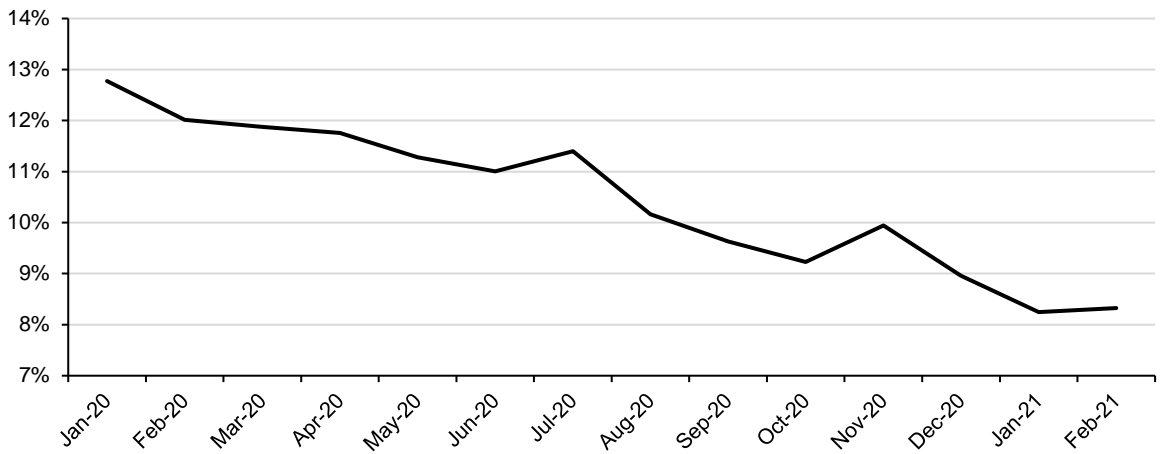
Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

Chart 22 - Initial duration of transactions according to location



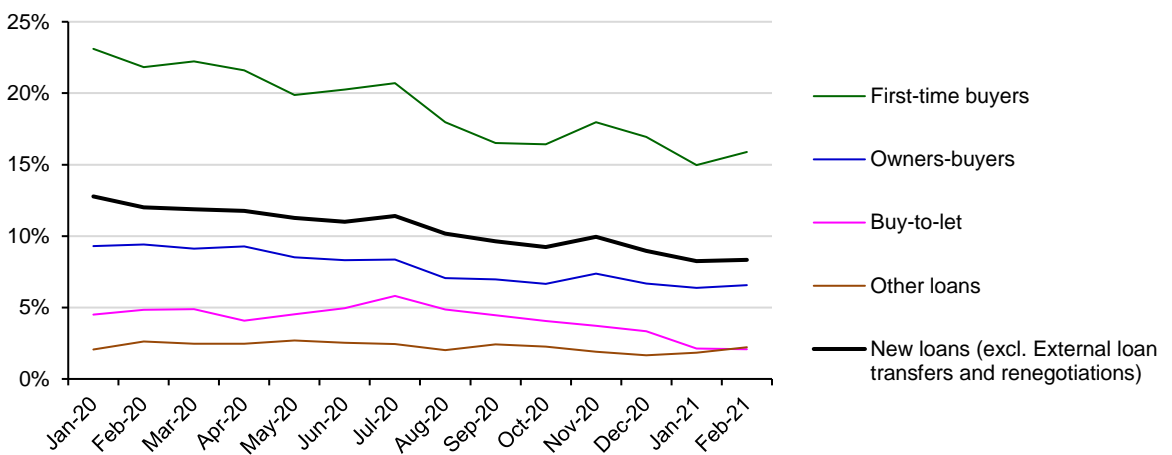
Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

Chart 23 - Share of loan production (excluding loan transfers and renegotiations) with a maturity exceeding 25 years



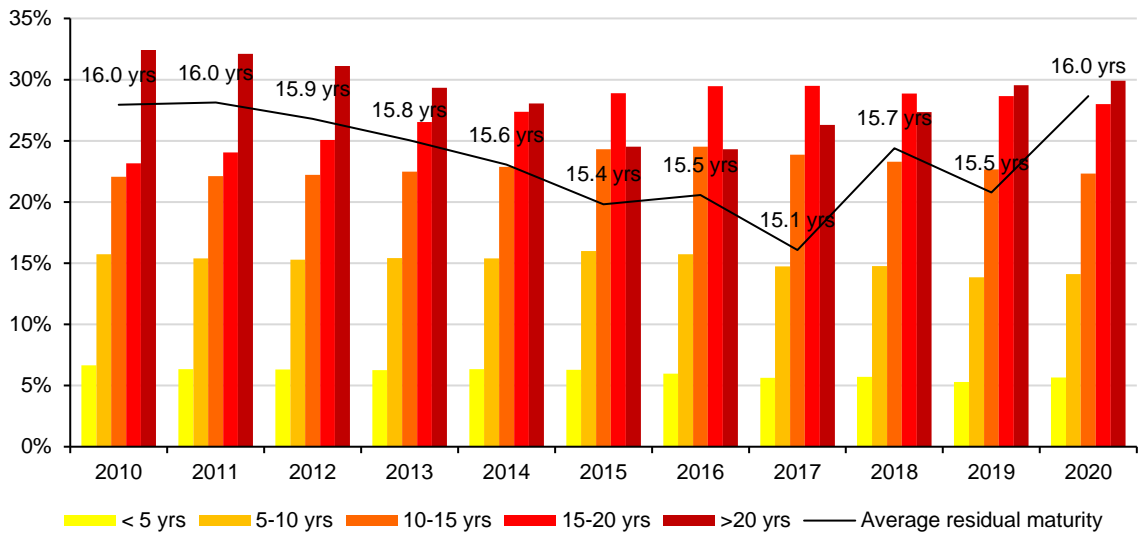
Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

Chart 24 - Share of loan production with a maturity exceeding 25 years, by purpose



Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

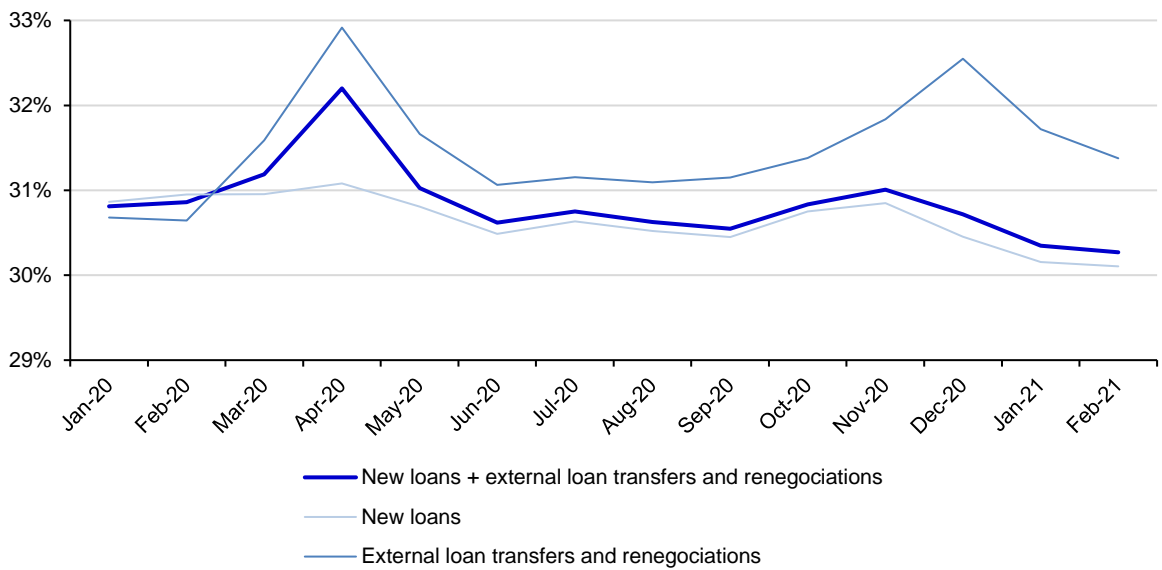
Chart 25 - Structure of outstanding housing loans by residual maturity



Source: ACPR, Annual Housing Financing Survey

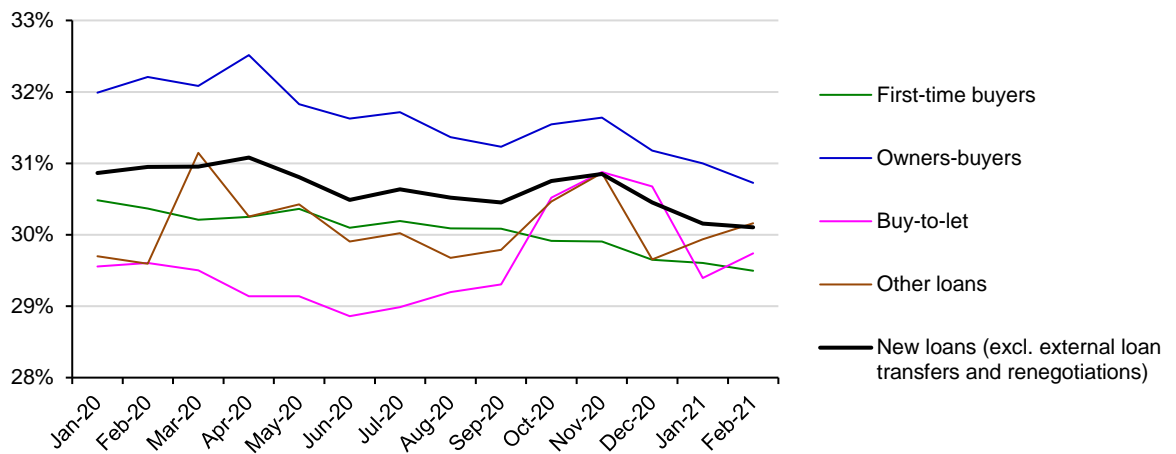
3. A sharp decline in DSTI ratios above 35%

Chart 26 - Average DSTI ratio by type of transaction



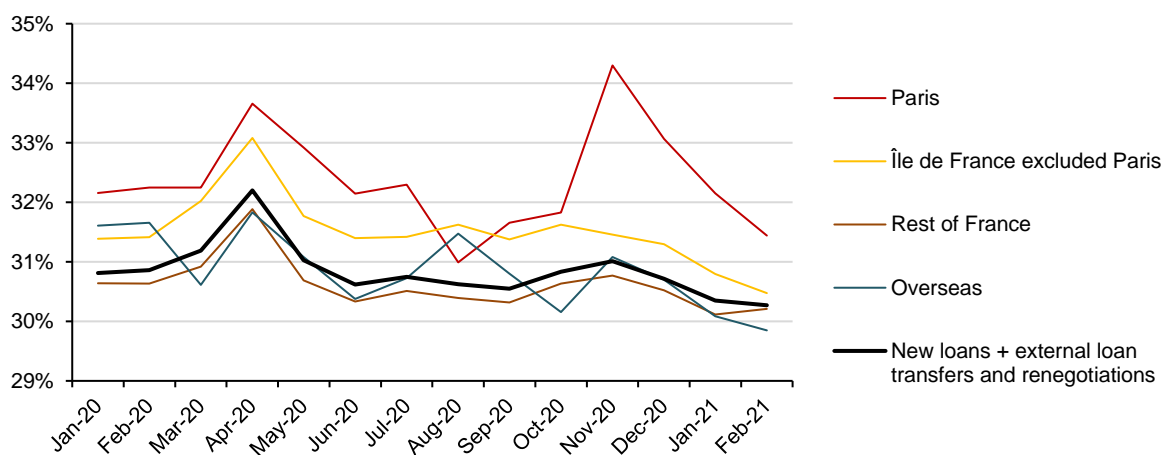
Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

Chart 27 - Average DSTI ratio by purpose



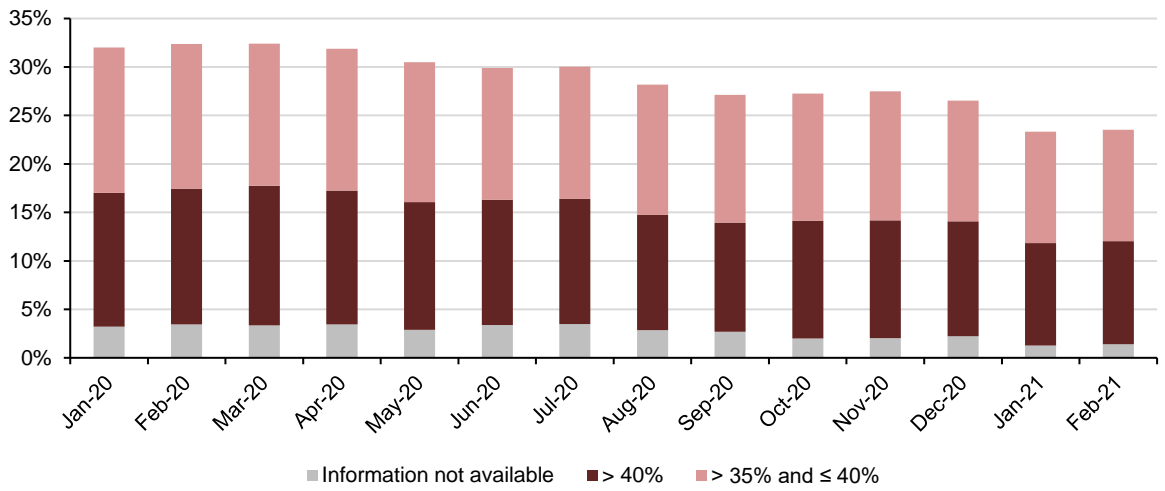
Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

Chart 28 - Average DSTI ratio by location



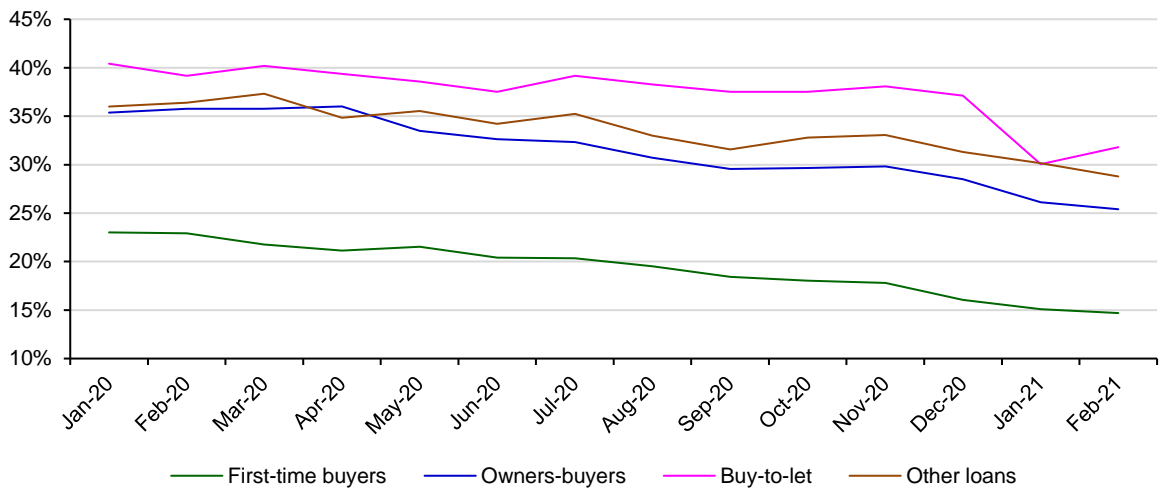
Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

Chart 29 - Share of loans (excluding loan transfers and renegotiations) with DSTI ratio exceeding 35%



Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

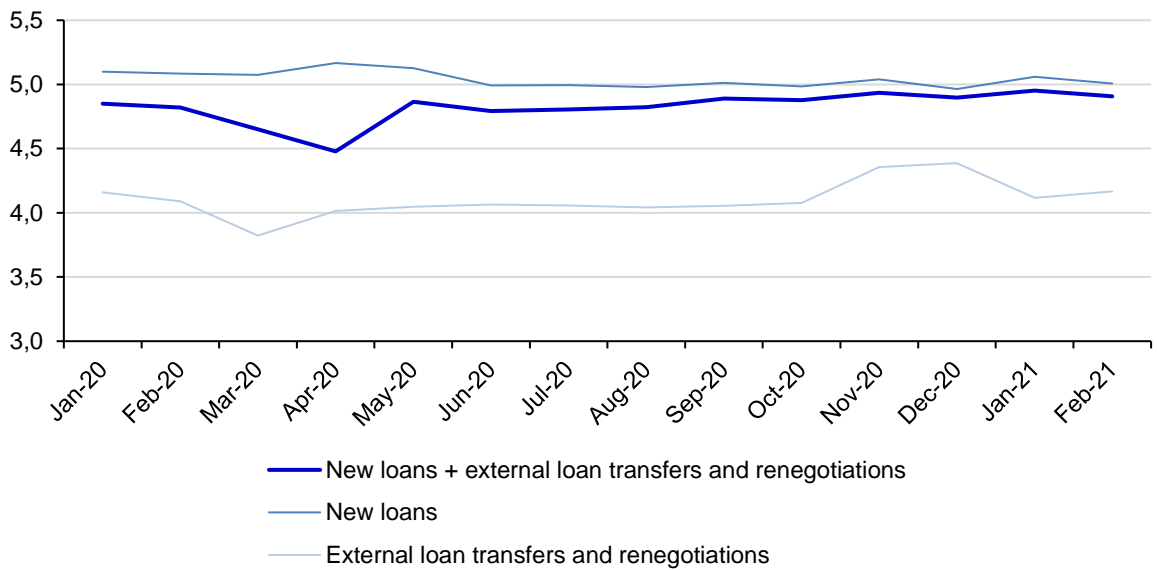
Chart 30 - Share of loans with a DSTI ratio exceeding 35% by purpose



Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

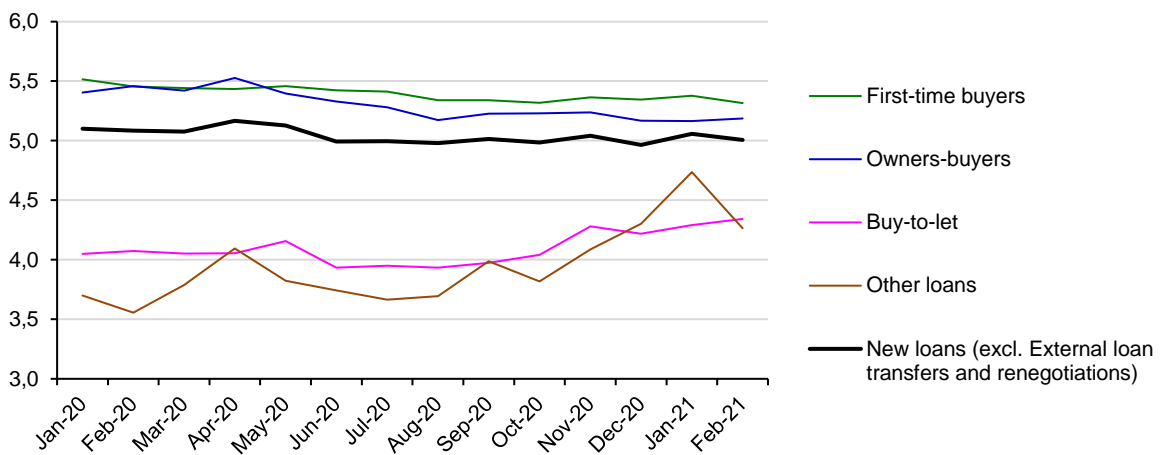
4. A relatively stable DTI ratio

Chart 31 - Average DTI ratio at origination by type of transaction, years of income



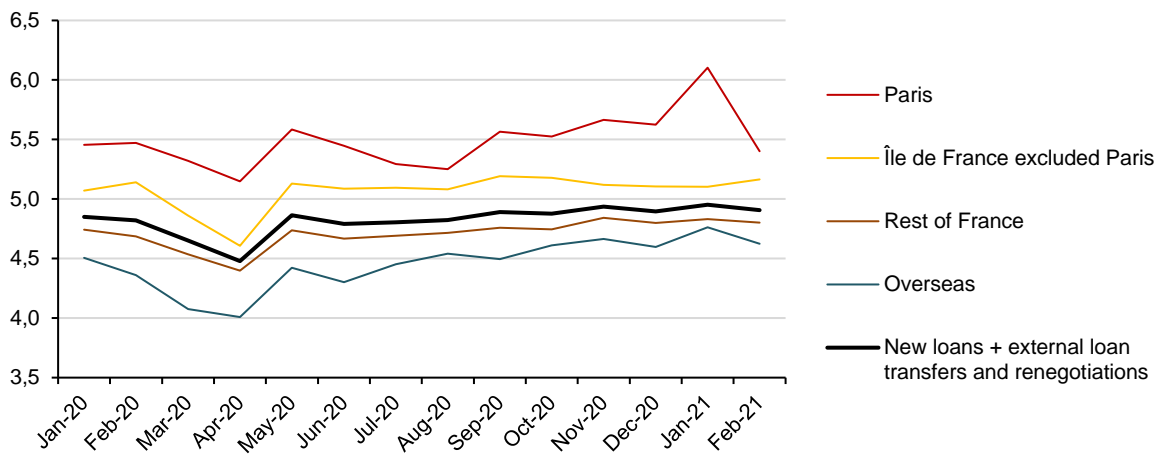
Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

Chart 32 - Average DTI ratio at origination, by purpose, years of income



Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

Chart 33 - Average DTI ratio at origination depending on location, years of income



Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

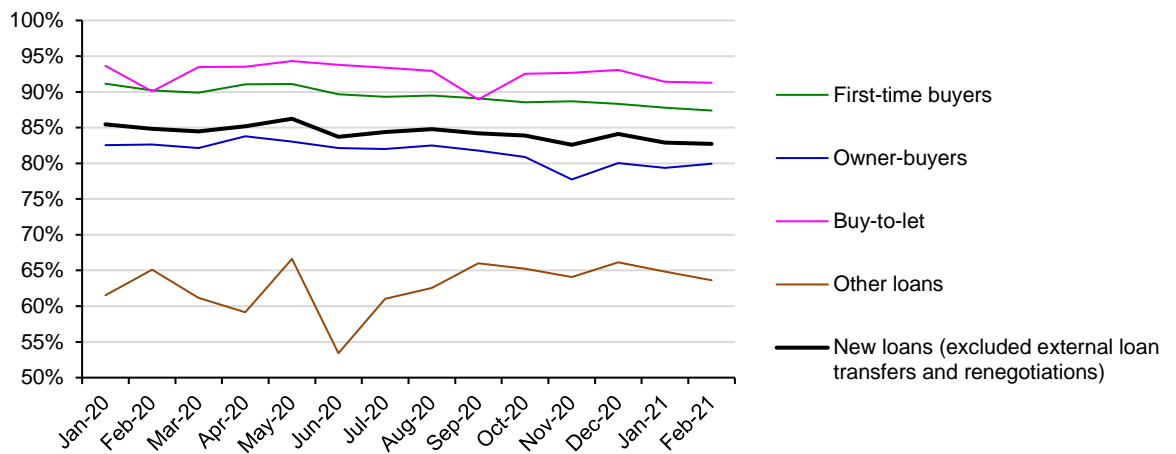
5. The average LTV ratio is down, negative equity also in decline

Chart 34 - Average LTV ratio at origination by type of transaction



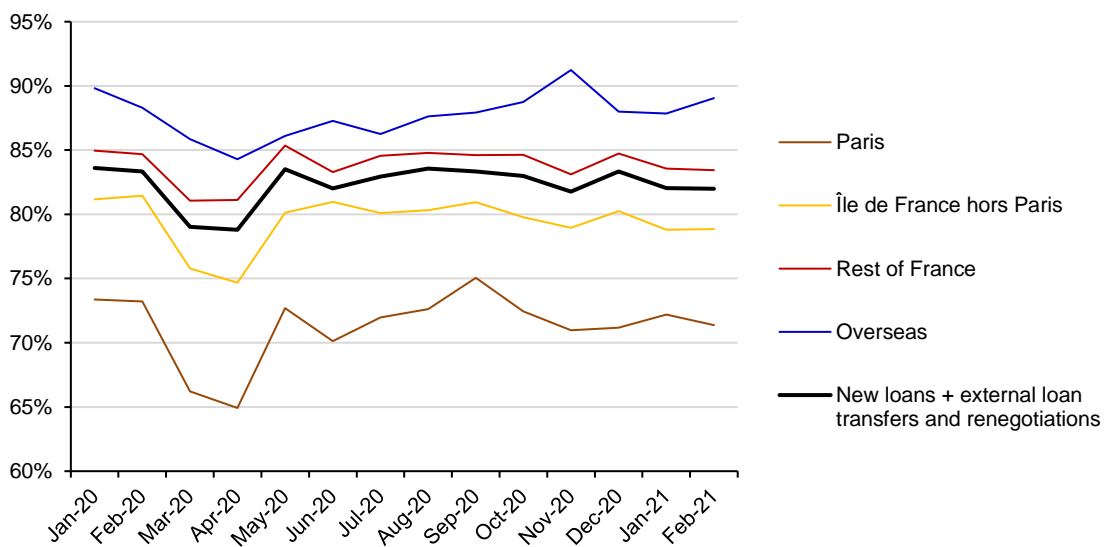
Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

Chart 35 - Average LTV at origination, by purpose



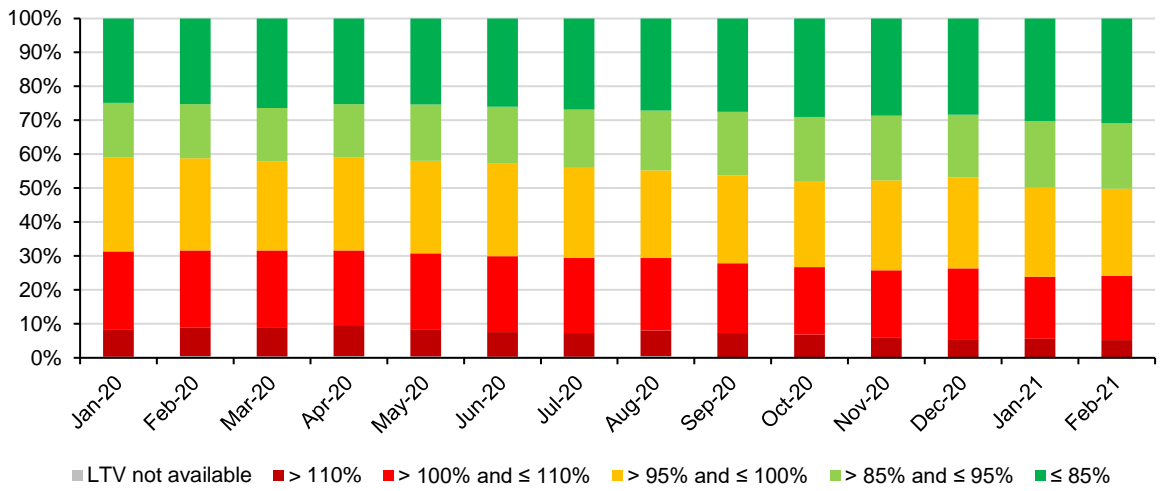
Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

Chart 36 - Average LTV ratio at origination by location



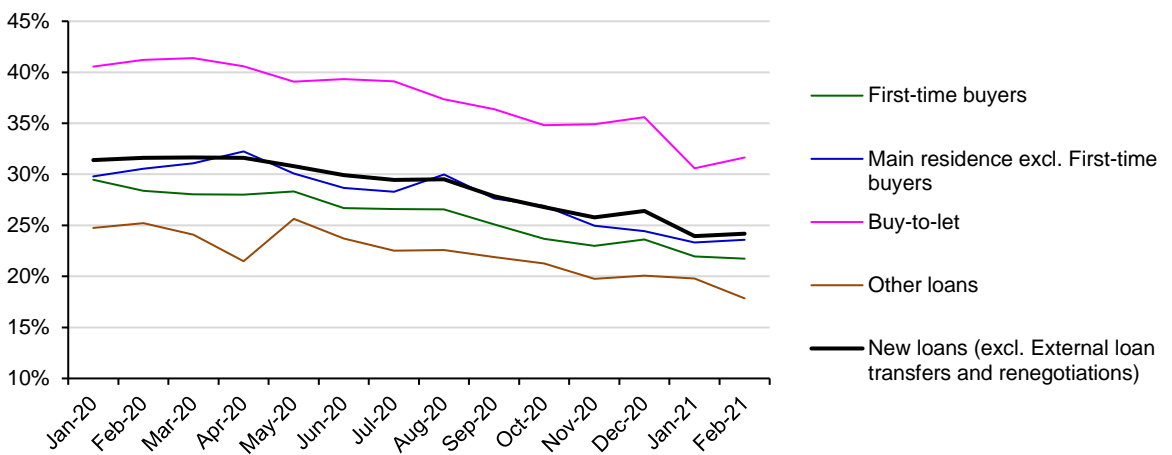
Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

Chart 37 – Loan production structure (excluding loan transfers and renegotiations) by LTV tranche



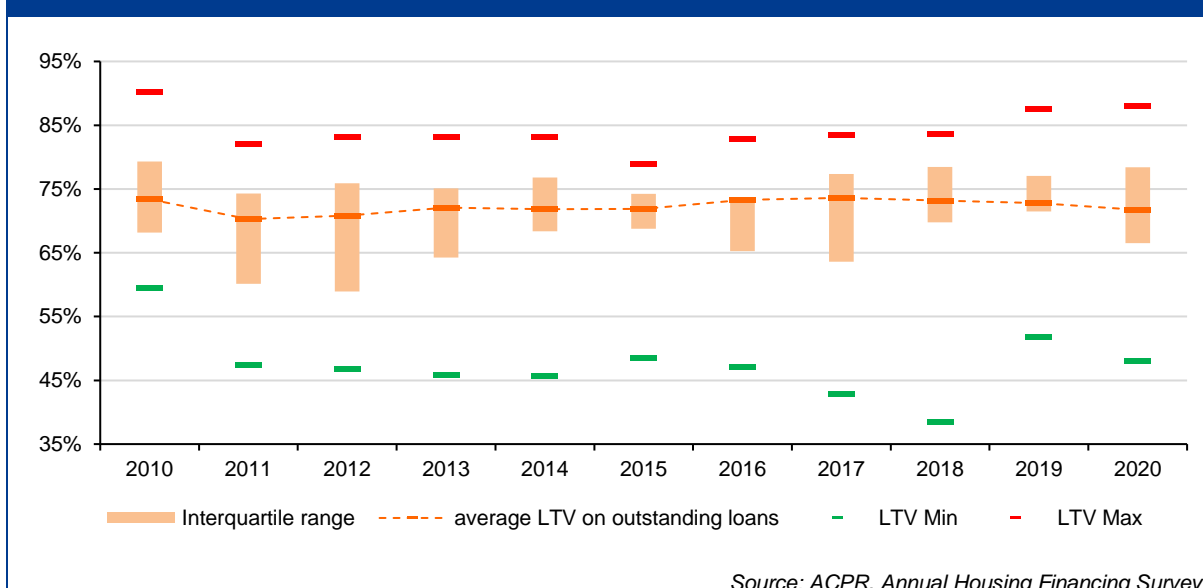
Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

Chart 38 - Share of LTVs exceeding 100% (negative equity) by purpose



Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02); monthly data; last point: February 2021

Chart 39 – LTV ratio over the life of the loan



6. A recommendation by the High Council for Financial Stability with which most institutions have gradually complied

Box 1 - HCSF recommendation on the lending standards for housing loans in France

HCSF Recommendation No R-2019-1

Against a backdrop of dynamic housing loan production, looser lending standards and, more generally, rising household indebtedness, the HCSF issued a recommendation on 20 December 2019 (No R-2019-1) to credit institutions and financing companies in order for them to take the following criteria into account when granting residential housing loans in France:

- DSTI ratio at origination $\leq 33\%$ AND
- Loan maturity at origination ≤ 25 years.

This recommendation came with flexibility margins:

- Up to 15% of the quarterly production of new loans may exceed either one of these two thresholds;
- At least three-quarters of this maximum flexibility should be reserved for first-time buyers and purchasers of their main residence;
- With regard to loans granted within this flexibility margin, a maximum DTI set to seven years of income was recommended.

HCSF Recommendation No R-2021-1

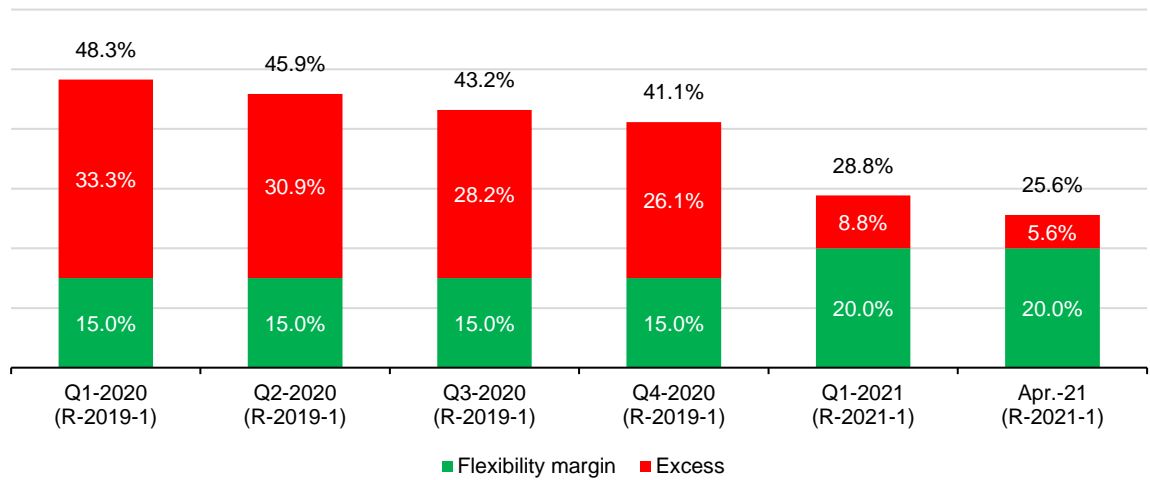
On the basis of the more precise information collected through the amended CREDITHAB reporting template at the beginning of 2020, the HCSF issued a new recommendation on 27 January 2021 (No. R-2021-1) amending the former one:

- DSTI ratio at origination $\leq 35\%$ AND
- Maturity of the loan at origination ≤ 25 years, plus a maximum grace period of 2 years in cases where the date of entry into use of the property is different from the date on which the loan was granted (sales before completion, building of new houses, etc.).

This recommendation comes with flexibility margins:

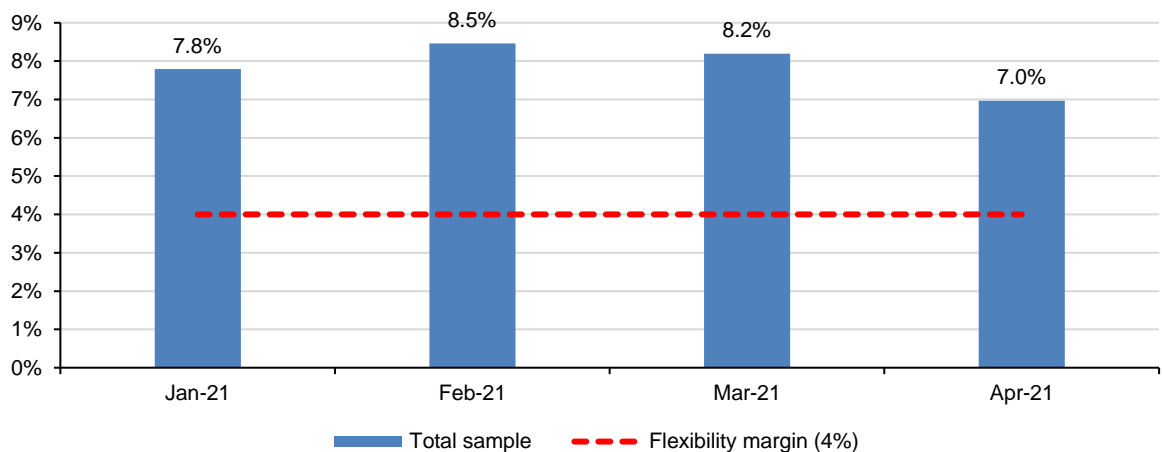
- The allowed flexibility may go up to 20% of the amount of quarterly production of new loans;
- At least 80% of the maximum flexibility is for purchasers of their principal residence and at least 30% of the maximum flexibility is reserved for first-time buyers. Accordingly, institutions are also required to meet both of the following conditions:
 - Share of non-compliant production excluding purchasers of their main residence $< (1-80\%) \times 20\% = 4\%$ of total production;
 - Share of non-compliant production excluding first-time buyers $< (1-30\%) \times 20\% = 14\%$ of total production.

Chart 40 - Share of non-compliant production (R-2019-1 then R-2021-1) of the HCSF in total production (excluding loan transfers and renegotiations)



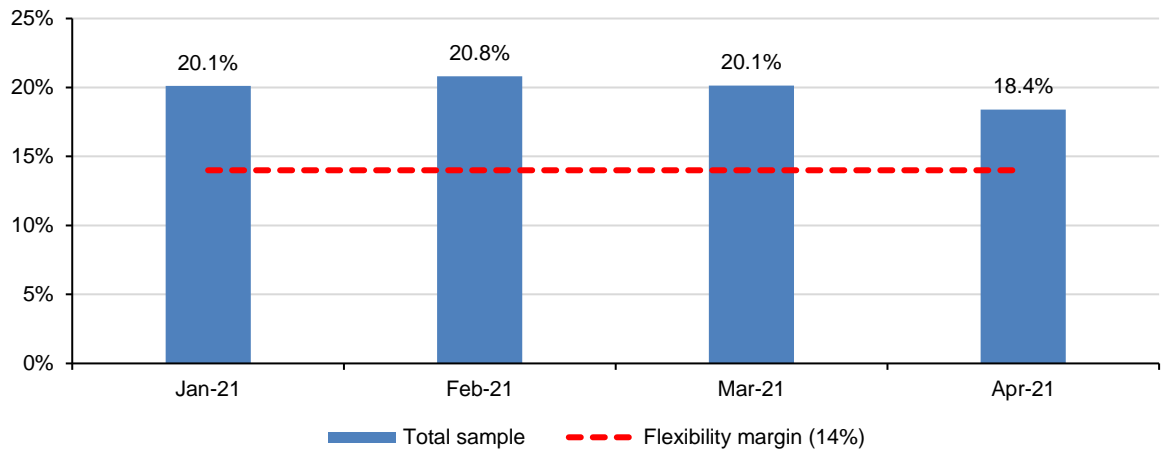
Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02 and CREDITHAB 2021-I-02)

Chart 41 - Share of production not in line with HCSF recommendation (R-2021-1), excluding main residences, in total production (excluding loan transfers and renegotiations)



Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02 and CREDITHAB 2021-I-02)

Chart 42 - Share of production not in line with HCSF recommendation (R-2021-1), excluding first-time buyers, in total production (excluding loans transfers and renegotiations)

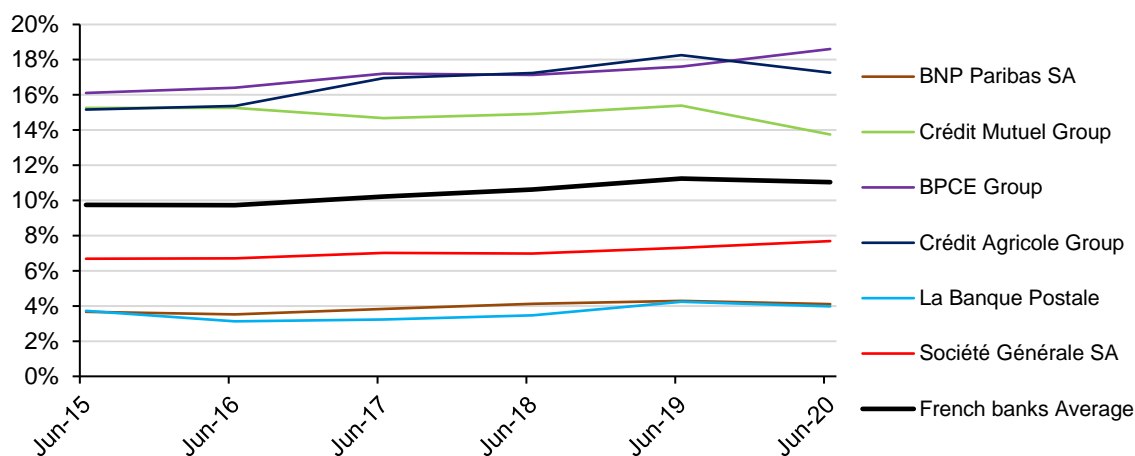


Source: ACPR, monthly monitoring of the production of housing loans (CREDITHAB 2020-I-02 and CREDITHAB 2021-I-02)

Housing financing risks remain contained

1. A slight decline in the share of housing loans in total lending in France

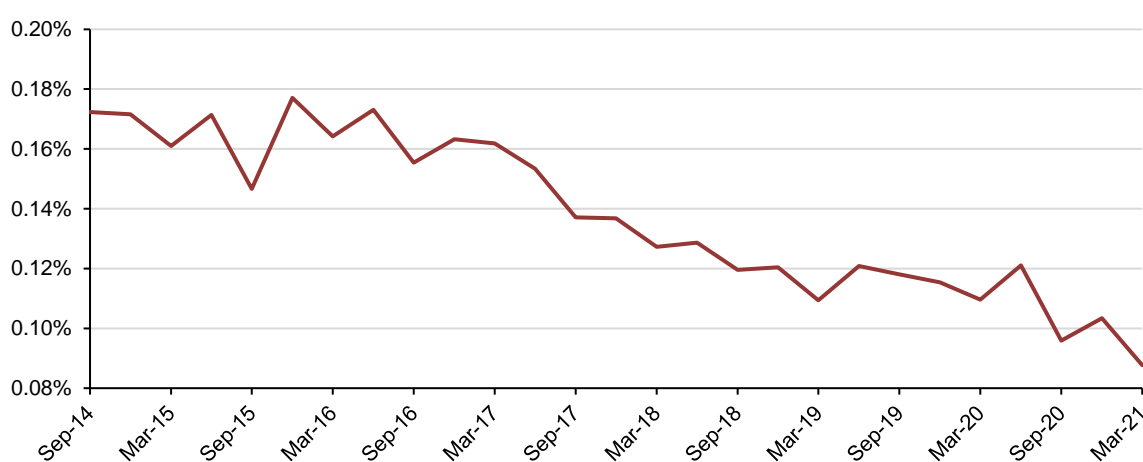
Chart 43 - Evolution in the share of housing loans in France in the total credit exposure of French banks



Source: EBA, Transparency exercise 2015 to 2020; last point: June 2020

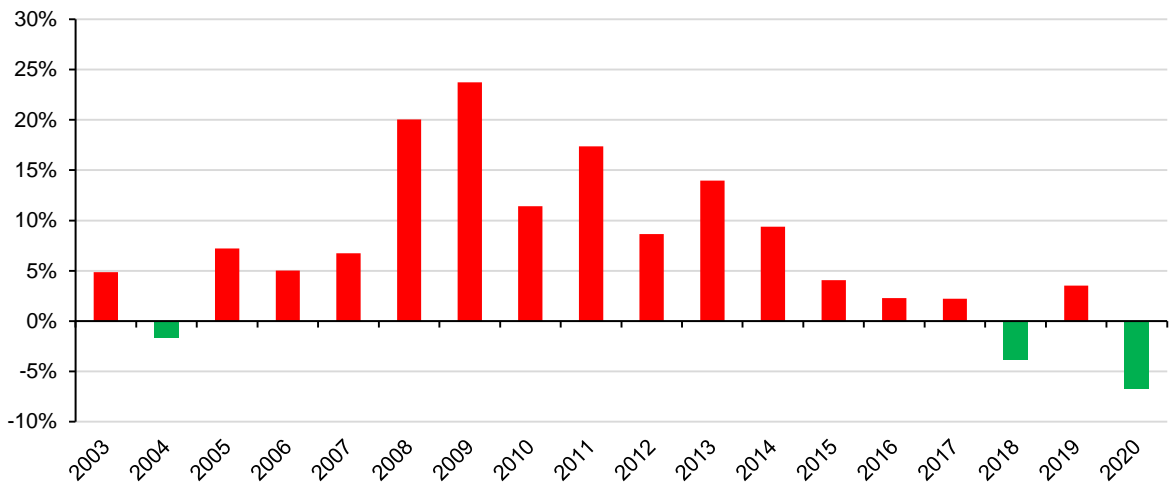
2. Gross doubtful loans are down

Chart 44 - Quarterly default rate on housing loans in France



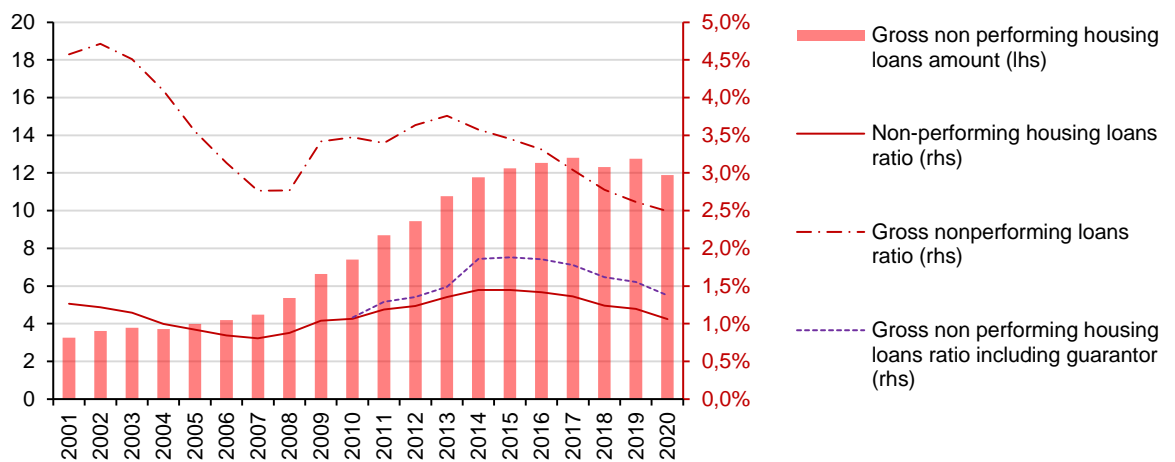
Source: COREP statements C09.01 and C09, last point March 2021; in particular, loans in default include those that are more than 90 days past due

Chart 45 - Annual evolution of gross doubtful loans for housing loans



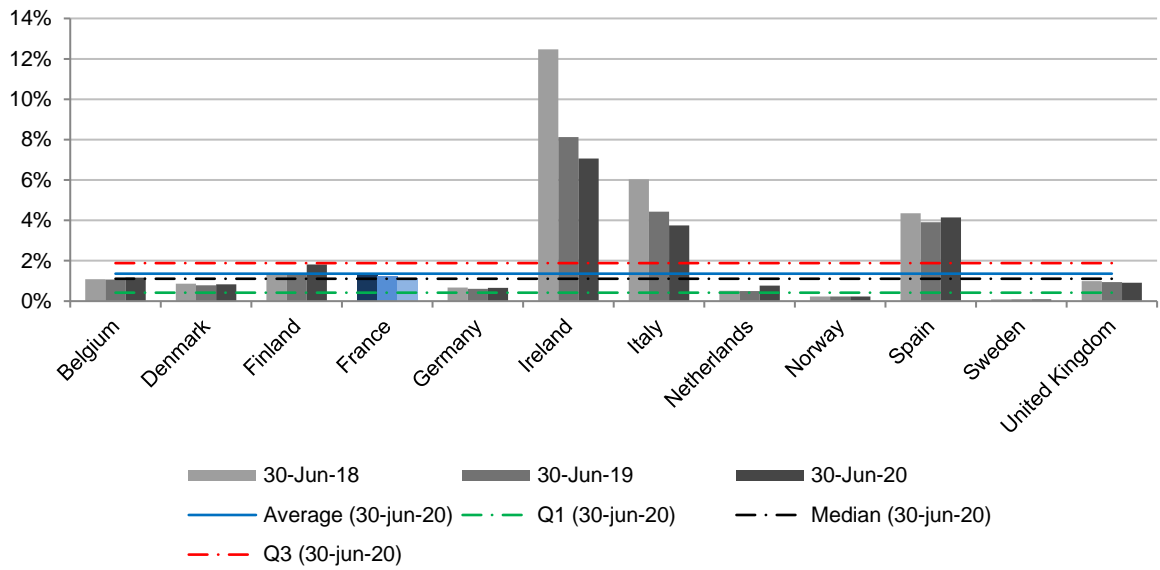
Source: ACPR, Annual Housing Financing Survey

Chart 46 - Gross doubtful debt on housing loans, EUR billions and % of total outstanding amounts



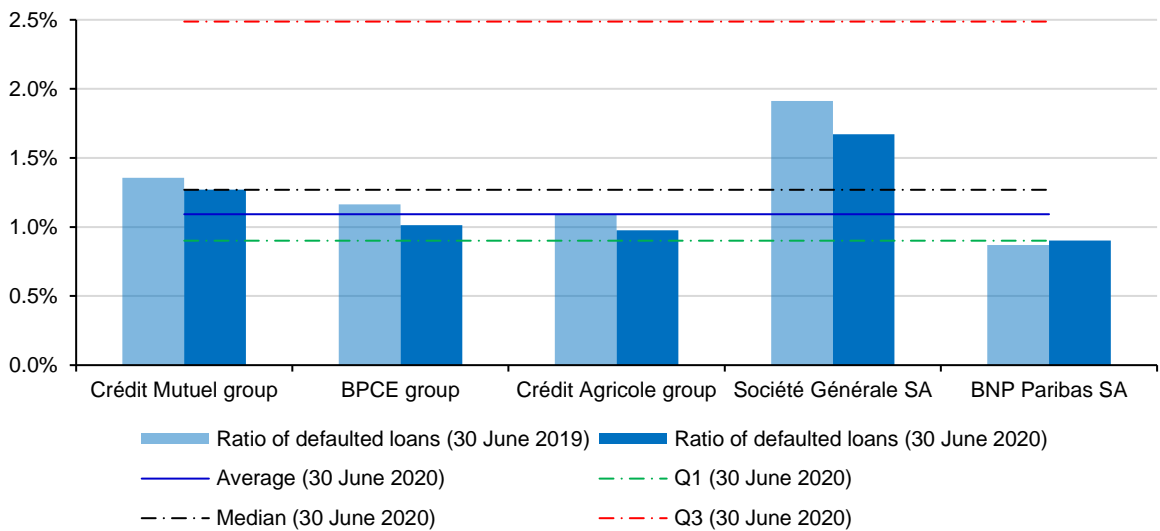
Source: ACPR, Annual Housing Financing Survey and BAFI/SURFI data; doubtful loans are those with a high risk of non-repayment; gross doubtful loans outstanding from home loan guarantors have only been collected since 2010

Chart 47 - Evolution of the rate of housing loans in default by country



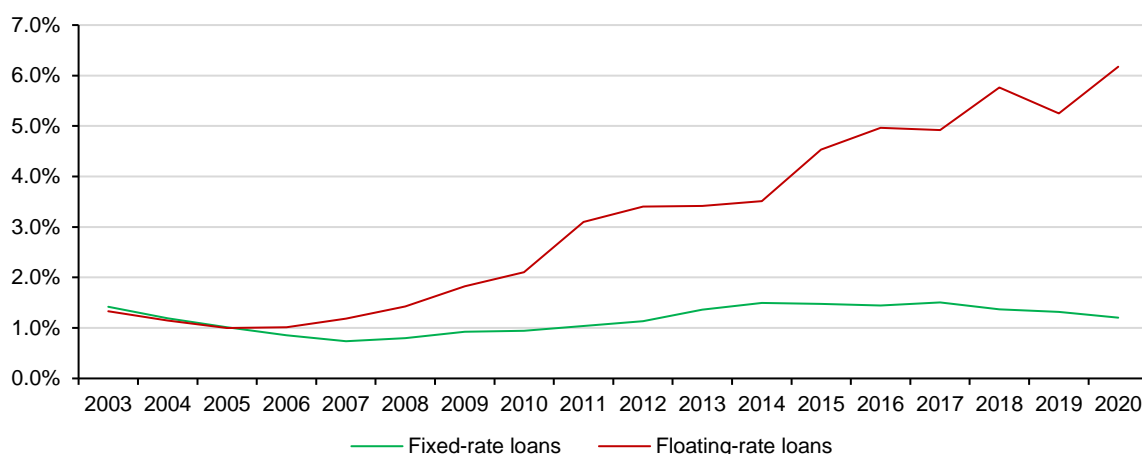
Source: Transparency exercise; outstanding amounts processed using advanced methods only; Q1, Q3: first and third quartiles

Chart 48 – Rate of housing loans in default in France as at 30 June 2020



Source: EBA, Transparency exercise; outstanding amounts processed using an advanced method); ACPR calculations on a sample of 28 banks that reported housing loans in France

Chart 49 - Gross doubtful loans by type of interest rate



Note: given that the gross doubtful loan rates by type of interest rate were calculated on a limited basis (since not all the banks surveyed did provide information on this matter), these figures cannot be compared directly with the gross doubtful loan rates for all housing loans.

Box 2 - Ad hoc stress-test exercise conducted by the ACPR on the main French guarantors in the context of the European EBA/ECB stress-test exercise

The guarantee system for residential housing loans in France is unique compared to the rest of the European Union, since the majority of outstanding loans are secured by a guarantee company that covers the losses banks face when their borrowers default.

In order to check the robustness of the main housing loan guarantors, the ACPR, as in the three previous European stress-testing exercises (2014, 2016 and 2018), conducted an *ad hoc* exercise based on the same scenarios and methodology as the EBA exercise.

Since all the guarantors have demonstrated a sufficient level of robustness throughout the exercise, including in the event of a sharp increase in guarantee calls that they would have to face, banks were able to take into account this mechanism to project their loss rates across their French housing loan portfolios and thereby justify the application of lower LGDs than those applied to traditional mortgage loans.

3. A slight increase in provisioning

Chart 50 - Provisioning rate for doubtful loans

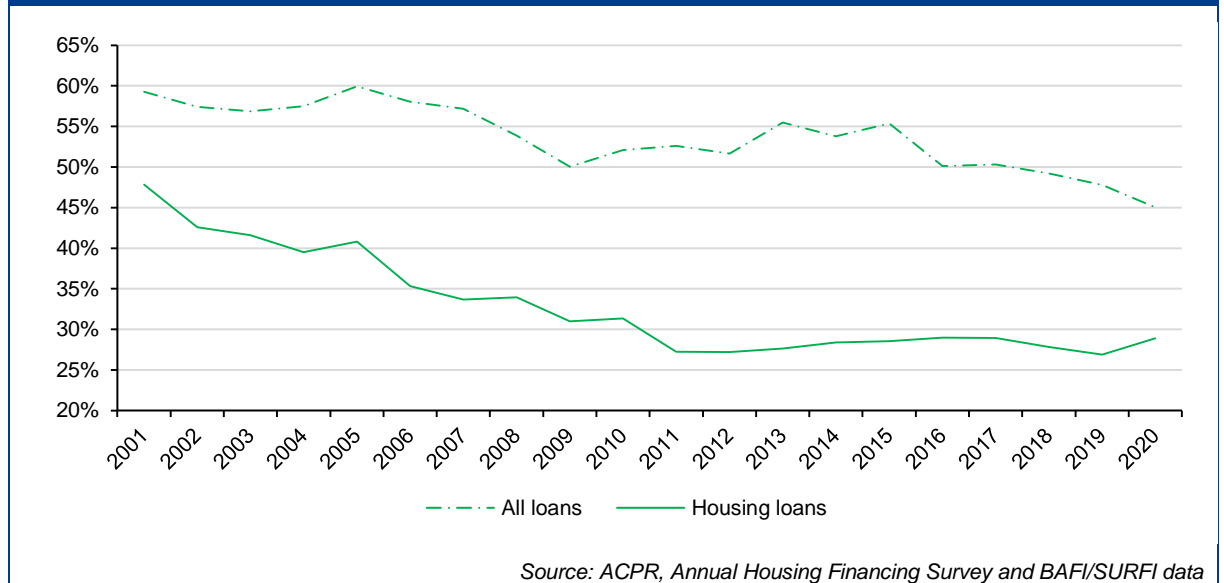


Chart 51 – Net doubtful loans, EUR billions

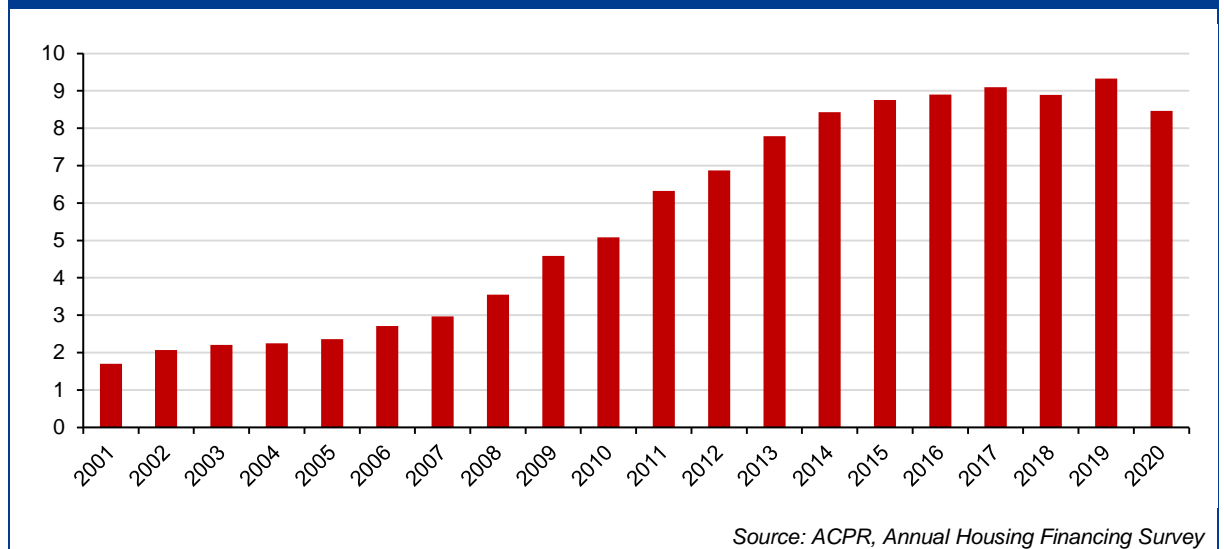
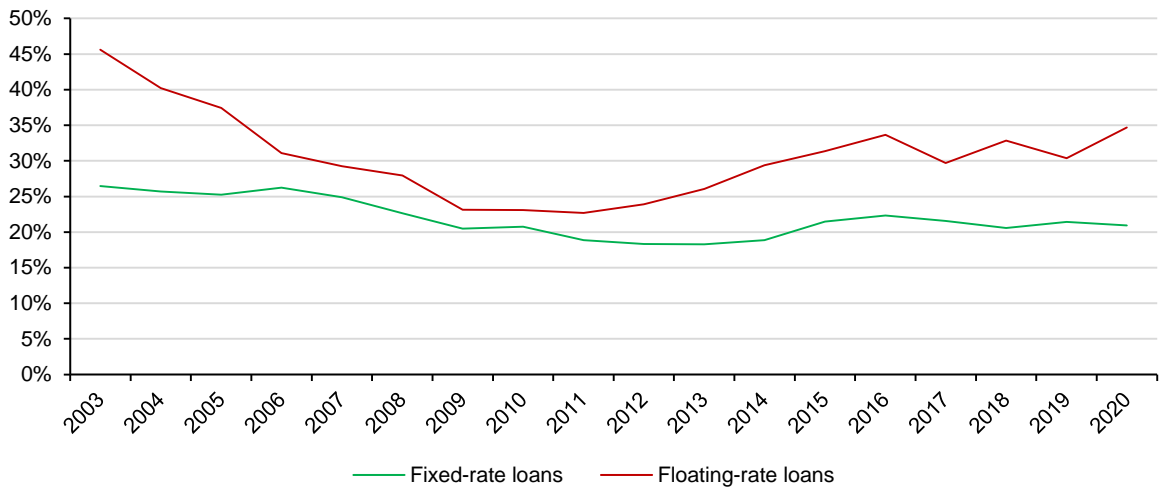


Chart 52 - Provisioning rate for doubtful housing loans by interest rate type

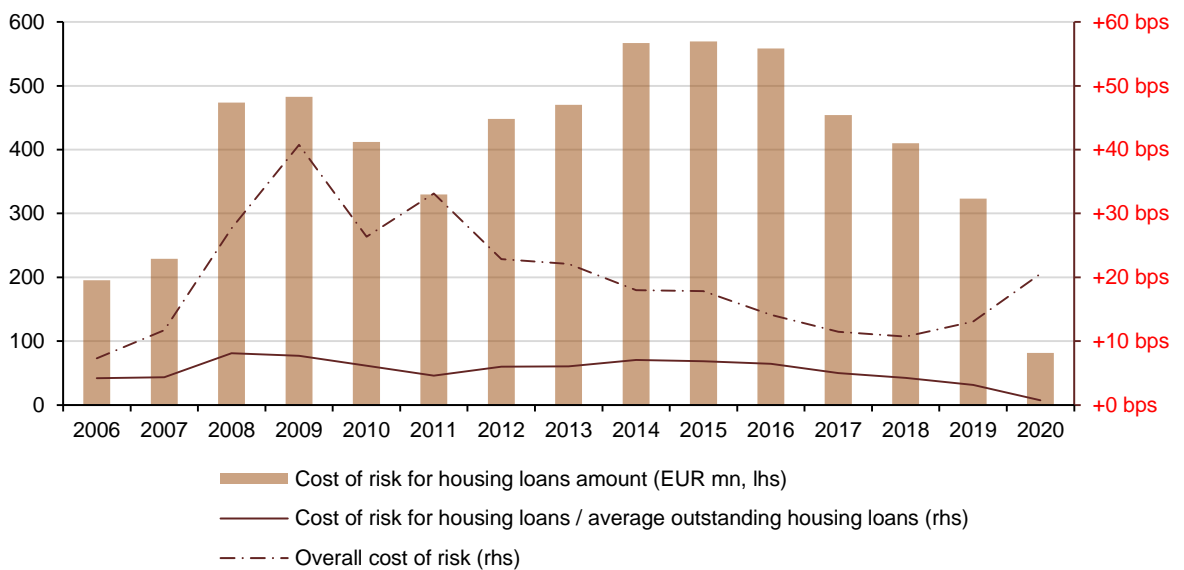


Source: ACPR, Annual Housing Financing Survey

Note: as the provisioning rates by type of interest rate were calculated on a restricted scope (since not all the surveyed banks provided information on this matter), these figures cannot be directly compared with the provisioning rates for all housing loans.

4. The cost of risk was down

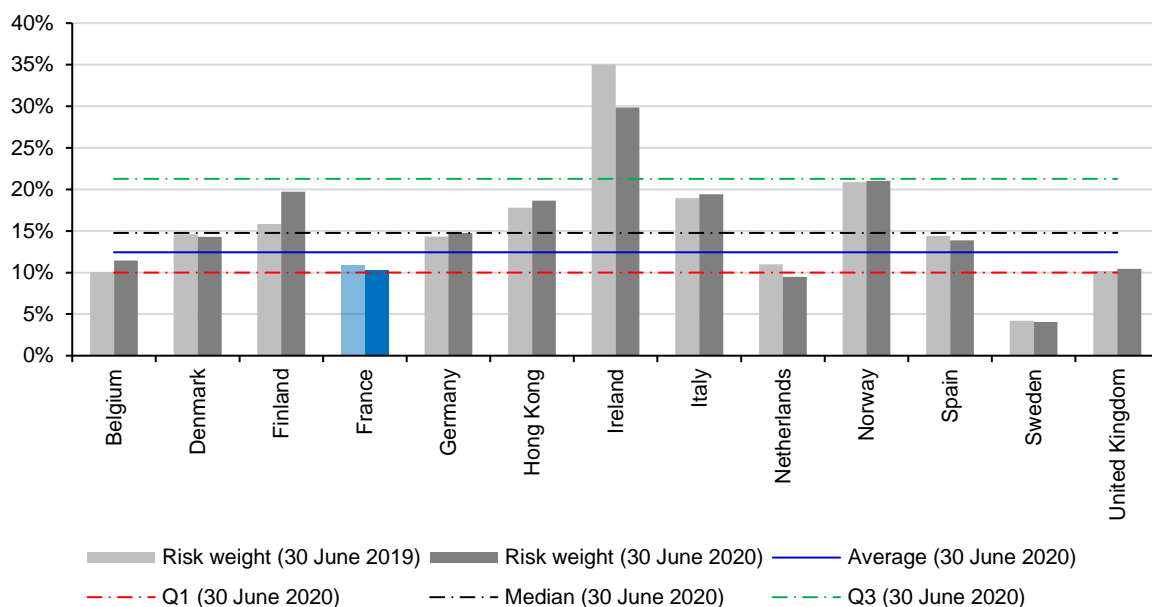
Chart 53 - Cost of risk for housing loans, in EUR millions (right-hand scale) and relative to the average outstanding (left-hand scale)



Source: ACPR, annual survey on housing financing; financial disclosure of banks; *cost of risk of France's six largest banking groups as a proportion of total assets

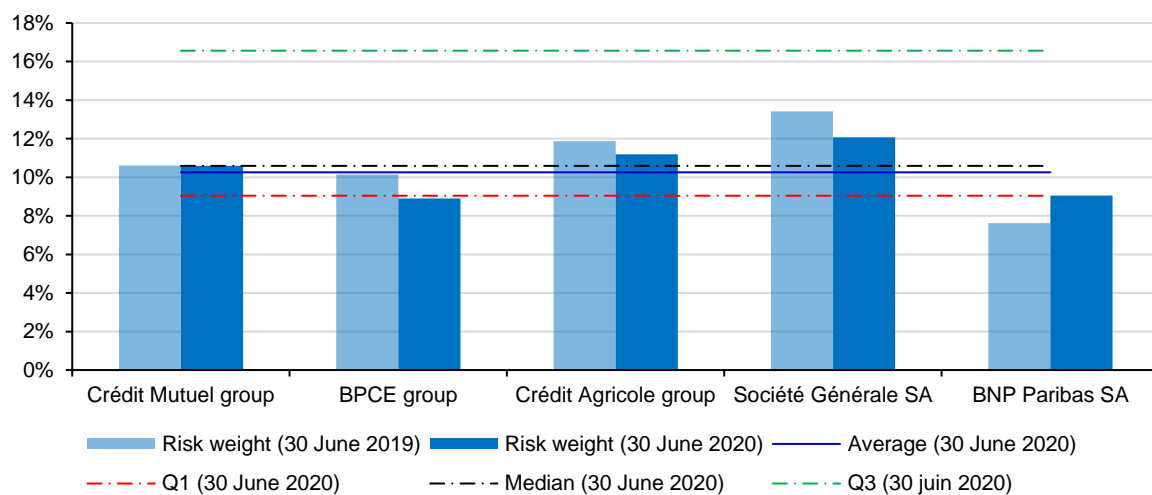
5. The average risk weight was above average when taking into account the impact of guaranteed loans

Chart 54 – Risk weights (A-IRB) applied to housing loans by country of exposure as at 30 June 2020



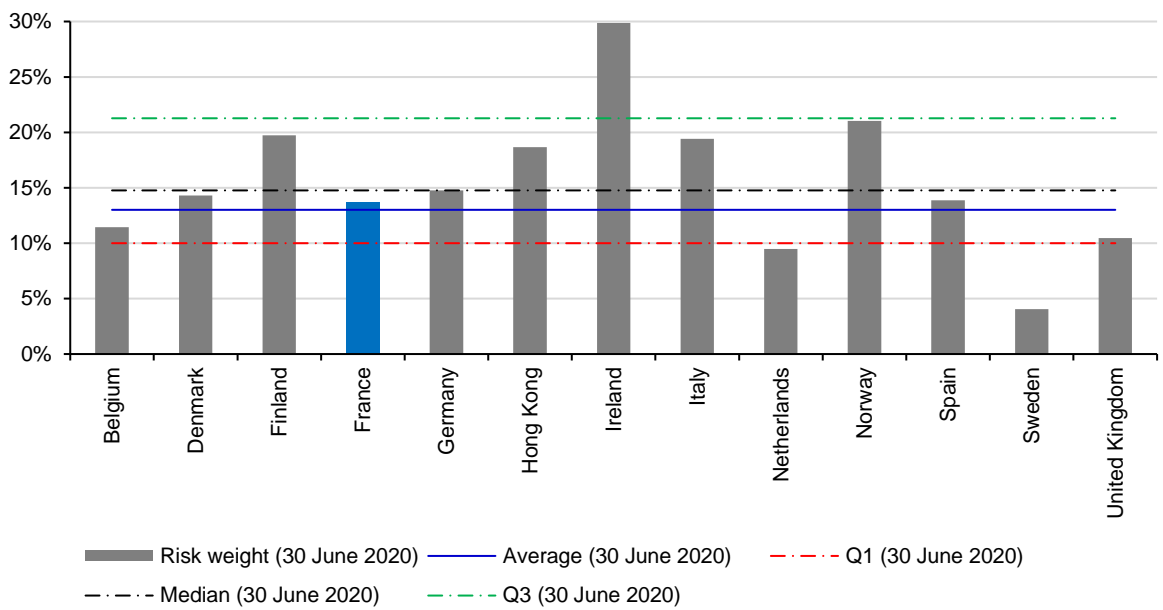
Source: EBA, Transparency exercise; outstanding amounts processed using an advanced method); ACPR calculations; only those countries which individually represent at least 1% of the total amount of housing loans reported by all banks covered by the EBA are mentioned.

Chart 55 – Risk weights (A-IRB) applied to housing loans in France as at 30 June 2020



Source: EBA, Transparency Exercise; ACPR calculations from a sample of 28 banks that reported housing loans in France

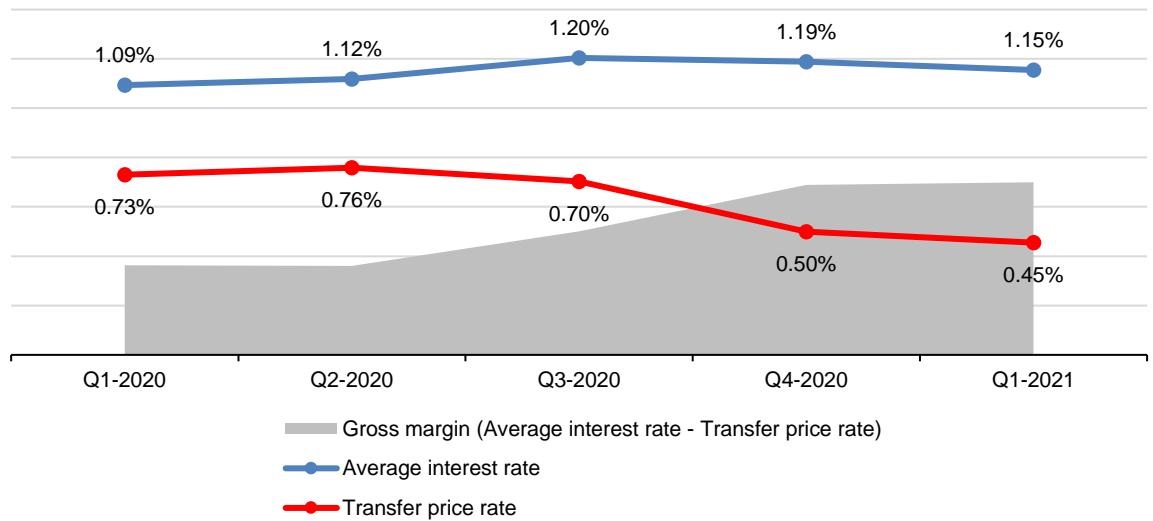
Chart 56 – Risk weights (A-IRB) applied to housing loans by country of exposure as at 30 June 2020, integrating weighted risks by *Crédit Logement*



Source: EBA, Transparency exercise; outstanding amounts processed using an advanced method) and the annual report *Crédit Housing 2020*; ACPR calculations; only those countries which individually represent at least 1% of the total amount of home loans reported by all banks covered by the EBA are mentioned.

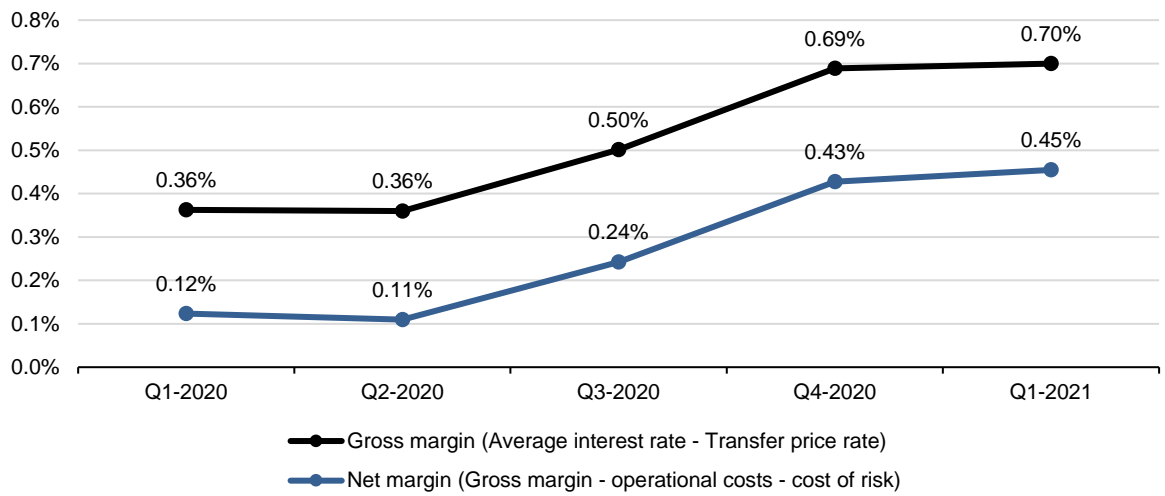
6. Margins went up due to lower internal transfer price rates

Chart 57 - Interest rate and gross margin on new housing loans



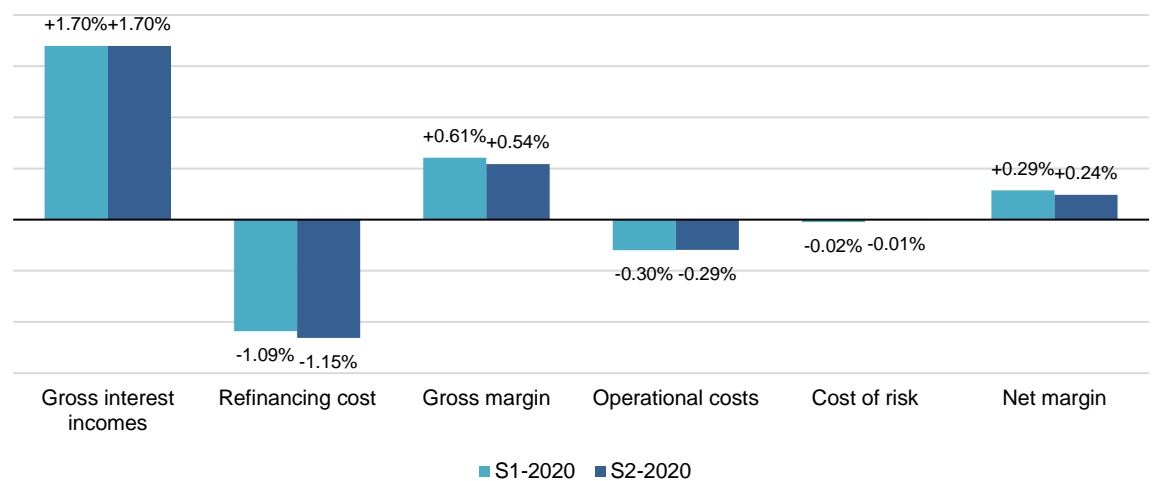
Source: ACPR (*RENTIMMO* statement)

Chart 58 - Gross margin and net margin on the production of new housing loans



Source: ACPR (RENTIMMO statement)

Chart 59 - Gross margin and net margin on outstanding housing loans



Source: ACPR (RENTIMMO report)