

CHART OF THE WEEK

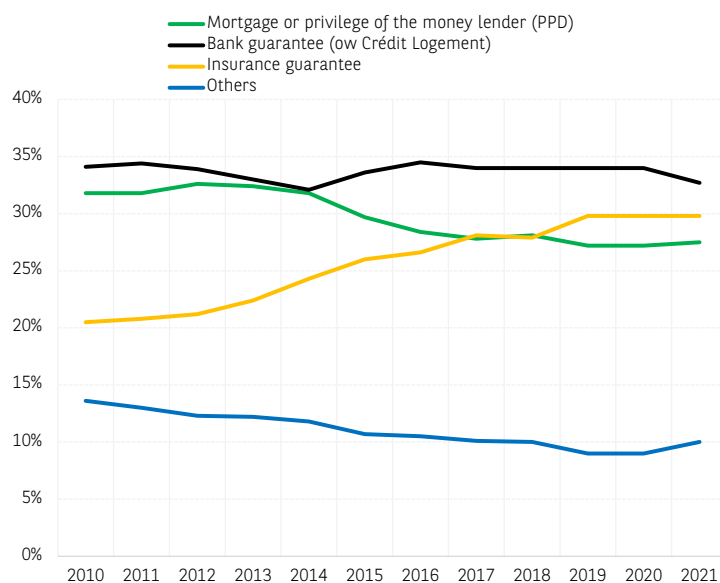


21 December 2022

FRANCE: NEARLY A THIRD OF HOUSING LOANS ARE STILL GUARANTEED BY MORTGAGE

Thomas Humblot

Almost a third of the outstanding amounts of housing loans are guaranteed by a mortgage



Source: ACPR, BNP Paribas

In 2021, 28% of housing loans made by French banks to individuals¹ were guaranteed by mortgage². This tangible security consists of assigning the real estate asset financed as collateral to the lender, in order to offset the consequences of default by the borrower where these are not covered by any borrower's insurance against death, incapacity or invalidity.

The increased use of guarantees from insurance organisations³, whose share of total guarantees increased from 21% to 30% between 2010 and 2021, has resulted in a fall in the share of mortgages, from a peak of 33% in 2012. The share of guarantees provided by credit institutions (including CM-CIC Caution Habitat and Crédit Logement, a mutual company whose shareholders are the main French banks) has remained at around 34%. The growing share of non-mortgage guarantees reflects an improvement in the quality of loan applications, with mortgages used particularly to guarantee loans that do not meet the eligibility or acceptance criteria of the guarantor organisations.

These trends could continue in 2022 as, on average over the first nine months of the year, only 22% of new housing loans were guaranteed by mortgage. Insurance organisations are consolidating the market share gains they have made (36% of new guarantees), whilst credit institutions have seen a slight downturn in their market share (31% of new guarantees). The decline in interest in mortgage guarantees reflects their higher cost (set-up fees and cost of release in the event of early repayment).

¹ by credit institutions and lending and companies financing economic agents located on French territory or for the financing of assets located on French territory in accordance with Instruction 2021-I-02 on the supervision of risk in real estate lending in France;

² Or privilege of the money lender, which only applies to older loans as it was replaced on 1 January 2022 by the special legal mortgage.

³ For example, Caisse d'Assurances Mutuelles du Crédit Agricole - CAMCA or Compagnie Européenne de Garanties et Cautions - CEGC

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