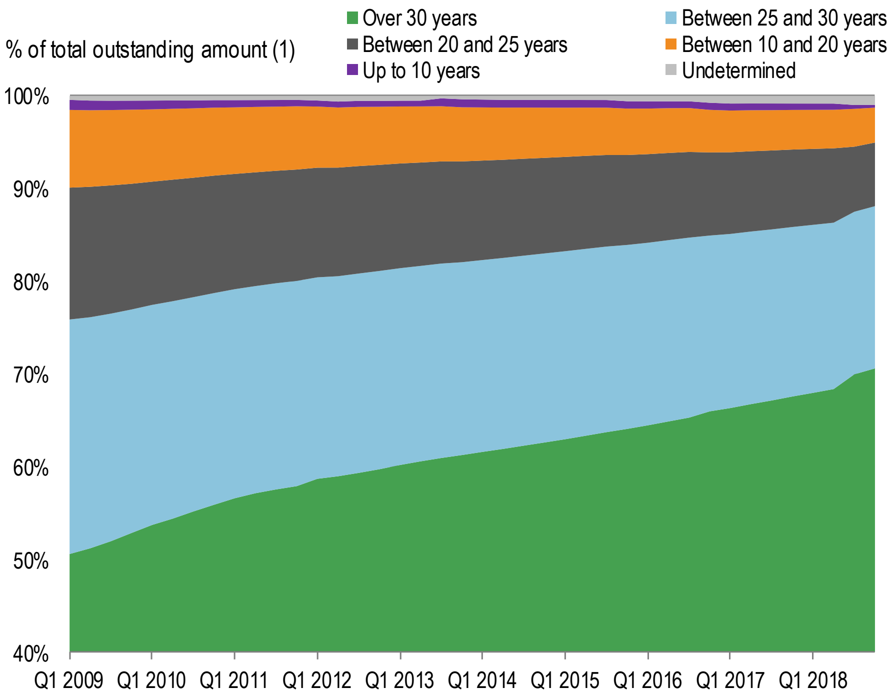
Portugal: Two thirds of loans for house purchase are over 30 years

An increasing share of the outstanding amount of loans granted to Portuguese households for house purchase consists of loans with an original maturity over 30 years. Between 2009 Q1 and 2018 Q4, the proportion of loans with the longest original maturities have increased from 51% to 71% of the total outstanding amount. The change has been caused by the outstanding amount of loans over 30 years remaining stable, while the outstanding amount of shorter-term loans has fallen by 45%. Hence, the average maturity of new loans for house purchase has increased from 30.8 years to 33.3 years between 2014 and 2017 according to the Bank of Portugal's latest figures[1].

Since 1 July 2018, the Bank of Portugal has made a recommendation[2] to the entities under its supervision to limit the original maturity of new loans for house purchase granted to households to 40 years. However, that measure is unlikely to achieve the objective of bringing their average maturity down to 30 years by the end of 2022.

[1] As a comparison, only 0.6% of the new loans for house purchase granted to households in France are over 30 years (source: Crédit Logement/CSA).
[2] A recommendation is not legally binding. However, credit institutions must comply with it or justify their position, otherwise the Bank of Portugal could take prudential measures against them.

Portugal: Breakdown of household loans for house purchase by original maturity



(1) The figures cover commercial and savings banks, mutual agricultural credit banks and non-monetary financial institutions that grant loans to households

Source: Banco de Portugal, BNP Paribas