

Nordea's Jussi Mekkonen: Regulation creates uncertainty in the Finnish housing market

Constantly increasing regulation is preventing the Finnish housing market from functioning effectively, and can even hinder labour mobility. This could have unwanted consequences for Finnish households, which for decades have been basing their wealth on obtaining and paying off a housing loan. If getting a housing loan becomes harder, households will find it more difficult to start accumulating wealth, says Nordea's head of personal banking in Finland, Jussi Mekkonen, who spoke at Nordea's media seminar on housing.

According to **Jussi Mekkonen**, discussion regarding possible regulatory tightening is creating unwanted uncertainty in the Finnish housing market.

- There now appear to be plans for various mechanisms aimed at tightening regulation on housing loans. I find this problematic, as we do not know what the compound impact of these mechanisms would be. Indeed, it could prove very undesirable, says Mekkonen.
- The total amount of household debt in Finland has risen, but it is worth noting that the progress is still moderate compared to the Nordic level. The acceleration of economic growth will lead to higher levels of debt, but people will also be better able to handle repayments.

Mekkonen suggests that if buying or changing homes is made more difficult by tightening regulation, this could create barriers for economic growth.

- The Finnish economy is finally showing stronger signs of recovery, while at the same time the demand for labour is becoming geographically polarised. Under such circumstances, I think adding new barriers for labour mobility would be short-sighted.

"Finns need to be able to accumulate wealth via home ownership also going forward"

Mekkonen considers it is important that home ownership continues to be a viable means for Finns to accumulate wealth also going forward.

- For Finns, homes continue to be the most important asset, which is why housing loan payments should be seen as a means for saving and preparing for the future. Surely we do not want to deny Finnish households this opportunity, says Mekkonen.

Mekkonen emphasises that there are no signs of housing loans having a negative impact on the society.

- Finns pay off their housing loans diligently. As for the banks, it is in their interests to make sure loans are not granted too easily. Average loan-to-value ratios in Finland are low, Mekkonen notes.

- While household debt has risen, a significant share of the increase has not been related to housing loans. Are regulators planning to fix something that is not broken?

For further information:

Jussi Mekkonen, Head of Personal Banking Finland, tel. +358 50 368 7029

Satu Malkamäki, Chief Press Officer, tel. +358 50 448 1182

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