

Abstract

An increasing trend of using macroprudential instrument, caps on loan-to-value (LTV) ratio, requires a full understanding of how the instrument works in practice. As the empirical research is still scant, this thesis attempts to contribute with a new evidence on LTV effectiveness in context of six developed economies, namely Netherlands, Sweden, Ireland, Hungary, Latvia and Lithuania. To achieve this objective we analyse the impact of caps on LTV on credit growth, mortgage credit-to-GDP ratio and price growth. LTV limits are not a harmonised measure and its national-level implementation includes numerous specificities that can hinder cross-country comparisons. As a result, this thesis proposes a construction of LTV index reflecting specific aspects of the measure. Using the LTV Index we confirmed a slowdown of credit, mortgage and price growth.

JEL Classification

E44, E51, E52, E58, G21

Key words

caps on loan-to-value ratio, maximum LTV ratio, macroprudential policy, credit-related instruments, LTV Index, house price growth, credit growth, financial stability.