

Household property and debt in France, Germany, Spain and Italy: France's unique situation

The results of the Household Finance and Consumption Survey (HFCS) conducted by Eurosystem central banks are now available for FYs 2010 to 2021.

Leveraging this unique source of individual data, the following article analyses household debt trends in the euro area's four largest economies, namely France, Germany, Spain and Italy.

France has seen by far the largest increase in household property debt and is, as a result, the only country where the debt-to-income ratio has jumped sharply, especially, although not exclusively, among higher-income households.

The French portion of the HFCS is the result of a partnership between INSEE and the Banque de France.

Frédérique Savignac
Business Conditions and Macroeconomic Forecasting Directorate

JEL Codes
E21, G51

Sylvie Tarrieu
Business Surveys and Microeconomic and Structural Analysis Directorate

Franck Sédillot, Jean-Pierre Villetelle
Monetary and Financial Statistics Directorate

25%

the percentage of households carrying debt in connection with a property acquisition, in France, in 2021

EUR 97,000

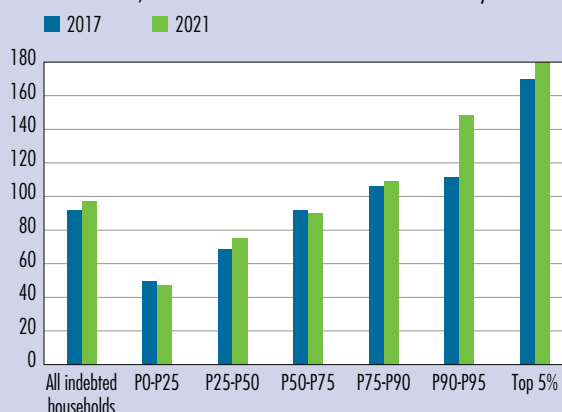
the median amount of property debt held by indebted households in France, in 2021

33%

the increase in property debt between 2017 and 2021 among households with average annual income of EUR 84,000 (percentiles P90 to P95)

Property debt in France, by income level

(median amounts, in thousands of constant 2021 euro)



Source: Household Finance and Consumption Survey (HFCS 2017, 2021).

Guide: The P90-95 group comprises the 5% of people immediately below the most affluent 5%.

1 Higher prices boosted the property wealth of affluent households to an extent in France, and even more so in Germany

A low interest rate environment conducive to increased debt and property wealth

Property assets are far and away the largest component of household wealth¹ (Garbinti and Savignac, 2018). In 2021, they made up 80% of gross household wealth in the euro area.

House prices exhibited fairly different trends in the euro area's four largest economies over the 2010-2021 period. In Germany, prices rose steadily from the mid-2000s onwards, but elsewhere, after increasing in the early 2000s, they fell following the 2008-2009 financial crisis, sharply in Spain and Italy but only slightly in France, before climbing again through to mid-2022 (see Chart 1).

More recently, between 2017 and 2021, house prices went up across the board, rising strongly in Germany (35% increase), to a more measured extent in France and Spain (19%), and much less in Italy (4%). Financing costs decreased significantly for euro area households over the same period (although only from 2020 in Spain),

bottoming out in 2021 (see Chart 2). Since then, with inflation picking up again, lending rates have risen everywhere, staying lowest in France.

Throughout that period, firming house prices boosted the wealth of property-owning households while simultaneously pushing up acquisition costs for buyers. Having said that, buyers benefited from the decline in interest rates until 2021.

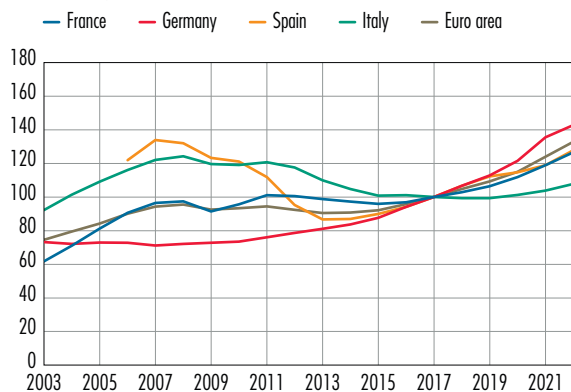
The share of homeowners remained steady in France and Germany, while shrinking in Spain

According to the HFCS (see box below), the percentage of households who own their main residence varies considerably among the four large countries of the euro area. In 2021, it was over 70% in Italy (77%) and Spain (73%), 58% in France and just 44% in Germany. These shares themselves are the result of contrasting trends across the four countries.

In Spain, the percentage of homeowner households has fallen steadily since 2010, shrinking from 83% to 73% in 2021, with households aged below 45 years especially affected: between 2010 and 2021, the proportion of households aged 35-44 years owning their own home contracted from 21% to 16.5%.

C1 Euro area house prices

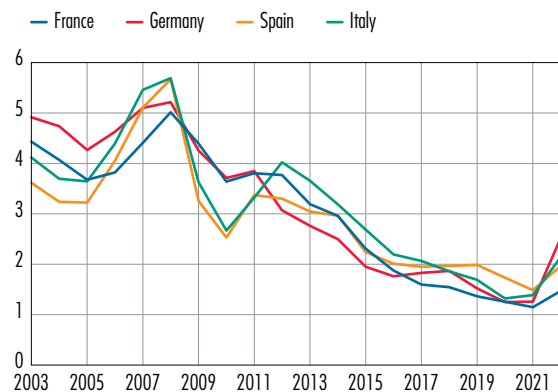
(2017 = 100)



Source: OECD (2023).

C2 Home lending rates

(%)



Source: European Central Bank.

¹ Household wealth is defined here as the sum of their financial, property and professional assets, and includes durable goods such as vehicles, artworks and jewellery.

BOX

The Household Finance and Consumption Survey (HFCS)

The Household Finance and Consumption Survey (HFCS) is a joint initiative of the Eurosystem central banks. It is coordinated by the European Central Bank (ECB) and conducted by a research network, the Household Finance and Consumption Network (HFCN). In several countries, including France, the national statistics office is also involved. The most recent survey covers 2021. It was published in July 2023 by the ECB (Household Finance and Consumption Network, 2023a and 2023b) and covers all euro area countries plus Croatia,¹ Hungary and the Czech Republic. Previous surveys essentially covered FYs 2010, 2014 and 2017. Individual data from the HFCS are made available to researchers on request.²

Through a harmonised collection process conducted by participating countries, the survey aims to obtain structural information about household wealth behaviour. Accordingly, it gathers information about the wealth (property and financial assets), debt, income, consumer spending and composition of households.

The data for France come from INSEE's "Histoire de vie et Patrimoine" survey (Cazenave-Lacrouts et al., 2022), which has been running since 1986. Besides the harmonised concepts covered by the HFCS, the "Histoire de vie et Patrimoine" survey provides more precise information about holdings of specific assets within the French institutional framework (regulated savings, for example). It also contains information that is extremely helpful to understanding financial behaviour, on household formation, family history, change in labour market status and intergenerational transfers, for example. Since 2014, the survey has included a panel component, which is used to monitor a number of individuals over time.

These surveys thus provide a unique and harmonised source of information that may be harnessed to understand the financial behaviour of euro area households. In the United States, the Federal Reserve's Survey of Consumer Finances is similar to the HFCS. One of the major challenges of these surveys is to measure the distribution of wealth, which is, moreover, highly concentrated (Bricker et al., 2016; Vermeulen, 2016; Garbinti et al., 2021). Most surveys therefore seek to oversample the wealthiest households, whose absence would skew the findings. The combined use of information gathered from households with exhaustive administrative sources (an approach already partly implemented by several countries, including France) is a promising way forward to measure inequalities even more accurately.

¹ Croatia joined the euro area on 1 January 2023.

² The online form is available on the ECB website at <https://www.ecb.europa.eu/>

In Germany and France, the percentage of homeowners remained relatively stable. Conversely, in France, the percentage of households owning other property besides their main residence, such as secondary residences and income-generating property, climbed from 22% to 24% between 2017 and 2021. The share of households owning other property rose in all income categories except

among the 5% of most affluent households (the "top 5%", see Appendix 1), which already had the highest percentage of owners of other property – around 64%. This share did not change substantially until 2021.

Italy, meanwhile, saw a slight increase. Applying a constant methodology,² between 2017 and 2021, the

² The Banca d'Italia modified the way that weightings were calculated for the 2021 survey wave. The trend analyses in this article are based on weightings whose methodology is the same as that used in previous survey waves.

rate rose by two percentage points, according to the HFCS. The increase was driven by households aged over 55 years, but was spread across all income levels. Holdings of other properties also increased in Italy between 2010 and 2021, from 21% to 26%.

Property wealth among the most affluent households saw the largest increase

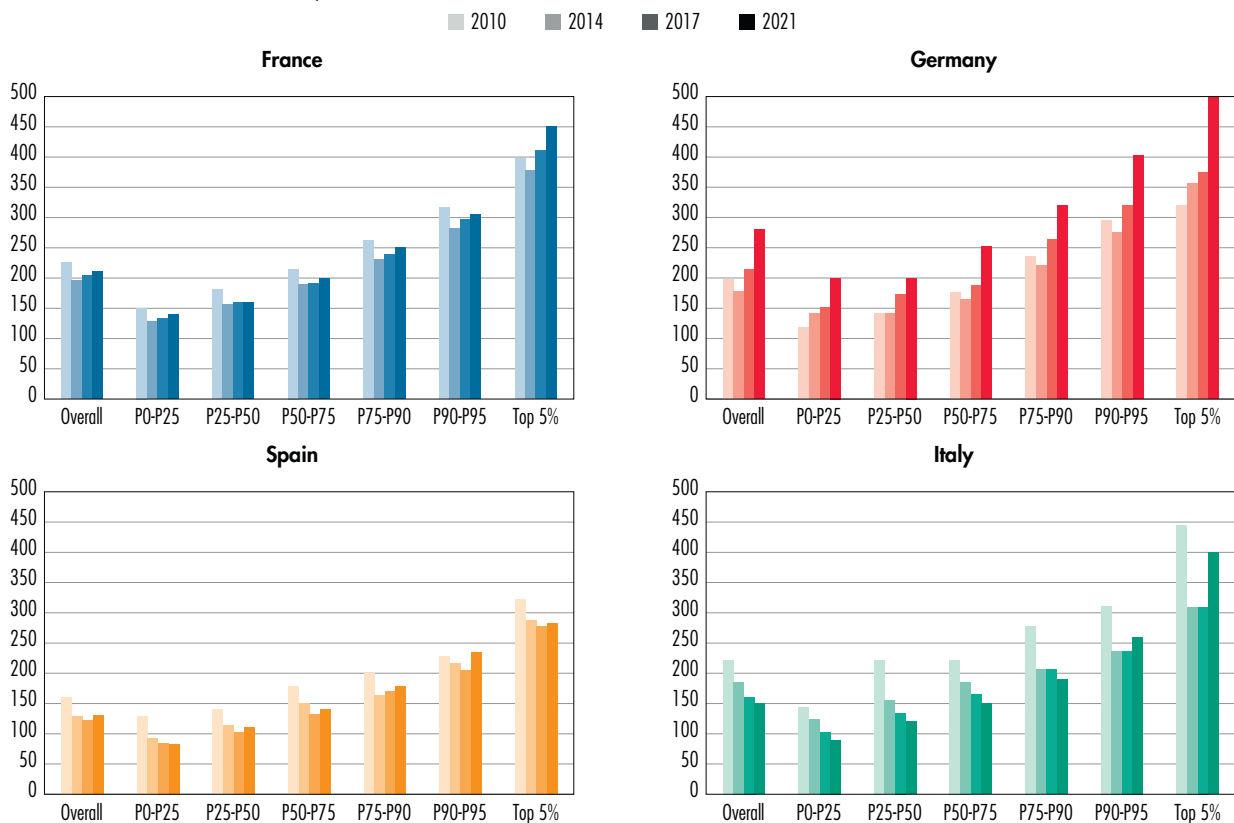
The change in the value of property wealth reported by households in the HFCS was broadly consistent with house price movements: the median value of a main residence increased between 2010 and 2021 in France and especially in Germany, whereas it decreased in Italy and Spain – two countries whose real estate sectors were badly affected by the 2008-2009 crisis (see Chart 3). Within

each country, there are also disparities along income level lines, which may reflect differences in the quality or location of the assets that make up property wealth. **In the four countries, a larger variation was thus noted in the value of the property wealth of the most affluent households,** which are considered to own the largest, best-quality assets in prime locations. Since price movements depend on the type of asset held,³ high-income households' property assets are likely to benefit more extensively from valuation effects. Consequently, these households are more inclined to make financial outlays and to take on larger amounts of debt when acquiring property assets.

The value of these property assets, which form part of the household's gross wealth, typically has a corresponding amount of debt that was taken out to finance the acquisition.

C3 Median value of the main residences of property-owning households (overall and by income level)

(in thousands of constant 2021 euro)



Source: Household Finance and Consumption Survey (HFCS 2010, 2014, 2017, 2021).

Note: Per unit, in constant 2021 euro, and the income level defined by household income percentile (see Appendix 1).

3 See for example Brécard et al., (2018) on the city of Nantes, and Baltagi et al., (2015) on Paris.

2 Depending on the country, the decrease in interest rates had opposite effects on household property debt

Since 2010, property debt has risen strongly in Germany and France, remained more or less steady in Italy and fallen in Spain

Aggregate household property debt trends varied significantly across countries (see Chart 4).

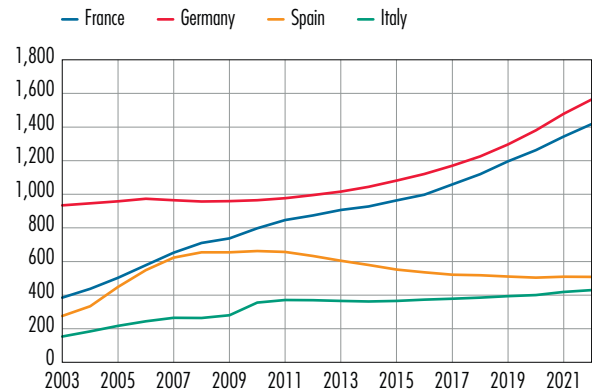
Total outstanding household property debt surged in Germany and especially in France between 2010 and 2021, rising by 53% and 68% respectively. It rose to a lesser extent in Italy and fell in Spain.⁴ Individual survey data supplement these observations by clarifying whether variations resulted from a change in the proportion of indebted households or in individual debt levels. The data also provide information about how debt is distributed among indebted households according to their income level.

Relative stability in the proportion of indebted households in France, but contrasting developments in other countries

Over the 2010-2021 period, in Spain – the only one of the four countries where the overall property debt of indebted

C4 Household property debt

(in billions of current euro)

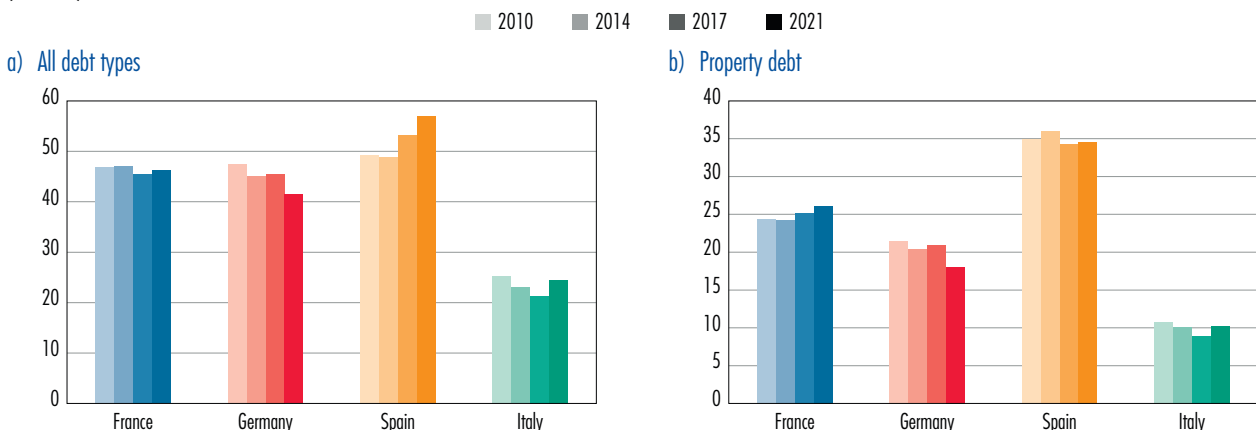


Source: European Central Bank.

households fell –, the percentage of indebted households (all debt types) rose steadily from 49% to 57% (see Chart 5 below), while the proportion of homeowners shrank. The increase was due to a surge in the share of households that took out consumer loans, from 27% in 2010 to 40% in 2021, whereas the share of households who took on property debt was stable at around 35%. The increase in the share of indebted households affected all income levels but was most pronounced at the lower end of the distribution: between 2010 and 2021, the percentage of indebted households whose incomes are below the first quartile (group PO-P25, see Appendix 1) rose from 27% to 39%.

C5 Share of indebted households

(as a %)



Source: HFCS 2010, 2014, 2017, 2021.

⁴ Spain's particular situation reflects the effects of the 2008 financial crisis. Specifically, a prolonged period of investments in the property sector, which were not related to effective demand for housing, caused a bubble to form. The bubble burst during the crisis, leaving a significant stock of unoccupied housing (Banco de España, 2020).

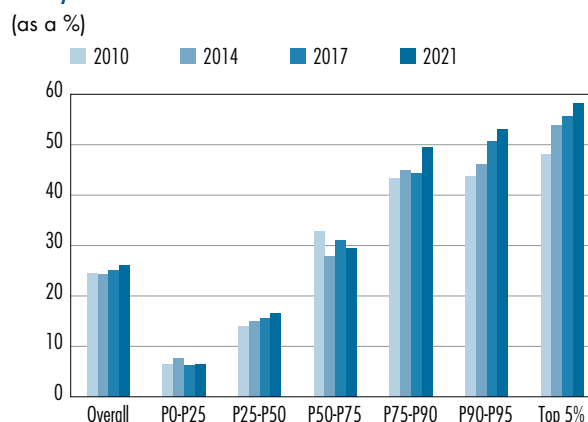
In France, the percentage of indebted households (all debt types) has been relatively steady since 2010 at around 46%, including approximately 25% for property, but with differences by income level (see below). Over the same period, the share fell in Germany, from 47% to 41%, in a trend that affected the entire income scale and both categories of debt (property and consumer). Italy has the lowest proportion of indebted households (all debt types), although the share did increase slightly, from 21% in 2017 to 24% in 2021, reverting to its 2010 level.

France's most affluent households took on more debt

The ostensible stability in the percentage of indebted households in France masks contrasting developments by income level (see Chart 6 below). Whereas the proportion of households who took on property debt inched up across the population as a whole, rising from 25% to 26% between 2017 and 2021, there was a much larger jump among the highest income brackets (from 51% to 53% for the first 5% of the most affluent 10% [P90-P95],⁵ and from 56% to 58% for the top 5%). The proportion of households holding property debt has risen steadily since 2010 among the top 10% of households by income. Between 2017 and 2021, for the first time, households from the P75-P90 group, i.e. those whose incomes are in the top quartile, but below the highest 10%, also increased their share, from 44% to 50%.

Growth in debt at the macroeconomic level in France between 2017 and 2021 stemmed from the increase in

C6 Share of households with a property loan in France, by income level



Source: HFCS 2010, 2014, 2017, 2021.

Note: Income level defined by household income percentile (see Appendix 1).

median amounts of debt, particularly in connection with property. Overall, property debt rose by 5.4% from EUR 92,000 to EUR 97,000 (see table). As a result, in 2021, the highest median amount of property debt was in France. It was more moderate in Germany and Italy (EUR 85,000), and was lowest in Spain (approximately EUR 67,000). In France, households whose income puts them in the P90-P95 group saw the largest increase (33%, see Chart 7 below), and their median property debt came to EUR 148,000 in 2021, up from EUR 110,000 in 2017. For the top 5%, median property debt stood at EUR 180,000, for an increase of around 6% between 2017 and 2021, or less than what was observed between 2014 and 2017 (Coffinet et al., 2020).

Median debt per household among indebted households

(in constant 2021 euro)

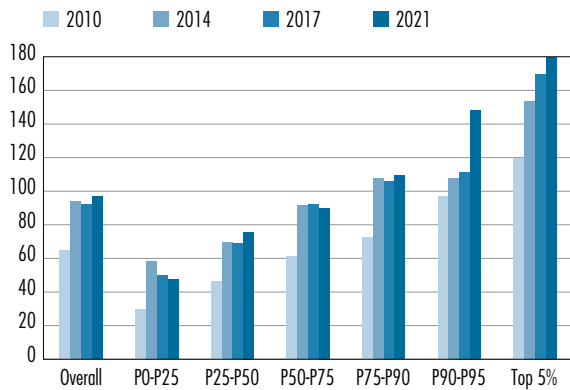
	Total debt		Property debt		Other debt	
	2017	2021	2017	2021	2017	2021
France	30,827	35,454	92,006	96,972	7,110	6,200
Germany	21,391	18,000	87,061	85,000	5,348	5,500
Spain	35,784	33,107	69,975	68,965	5,424	6,190
Italy	12,836	15,000	72,172	85,000	5,155	5,163

Source: HFCS 2010, 2014, 2017, 2021.

⁵ See Appendix 1 for a definition of the income groups.

C7 Median property debt in France, by income level

(in thousands of constant 2021 euro)

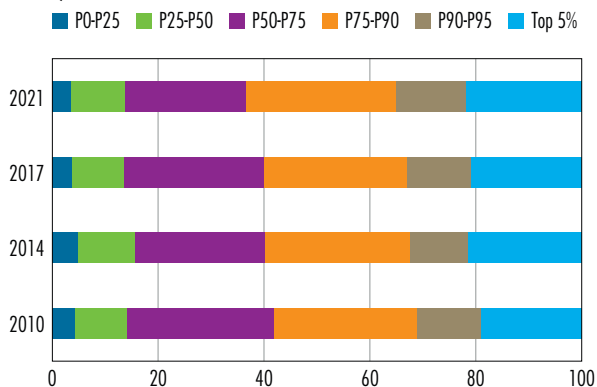


Source: HFCS 2010, 2014, 2017, 2021.

Note: Per unit, in constant 2021 euro, and the income level defined by household income percentile (see Appendix 1).

C8 Share of household property debt, held by income group

(as a %)



Source: HFCS 2010, 2014, 2017, 2021.

Note: Income level defined by household income percentile (see Appendix 1).

The increase in total outstanding property debt among high-income households coincides with the concentration of property debt within this category (see Chart 8). In 2021, households with income in the top quartile (P75 and above) held 63% of property debt, compared with 60% in 2017.

Debt ratios reveal contrasting situations across countries

Four indicators were calculated for indebted households:⁶ the debt-to-assets and debt-to-income ratios divide, for each household, total outstanding debt by the value of total assets

and total income, respectively. The debt-service-to-income ratio divides annual repayments on all loans by all of the household's annual income. The loan-to-value (LTV) ratio divides debt on the main residence by the property's value.

The median values for these individual ratios point to a slight improvement (or little change) in Germany and Spain between 2017 and 2021 (see Chart 9 below). In Spain, as seen earlier, this can be attributable to an overall deleveraging trend among households. In both countries, the increase in house prices against a backdrop of low interest rates contained debt-to-assets and LTV indicators or pushed them downwards. The improvement in the debt-to-income ratio concerned all indebted households in Germany and Spain, irrespective of their income level (see table in Appendix 2).

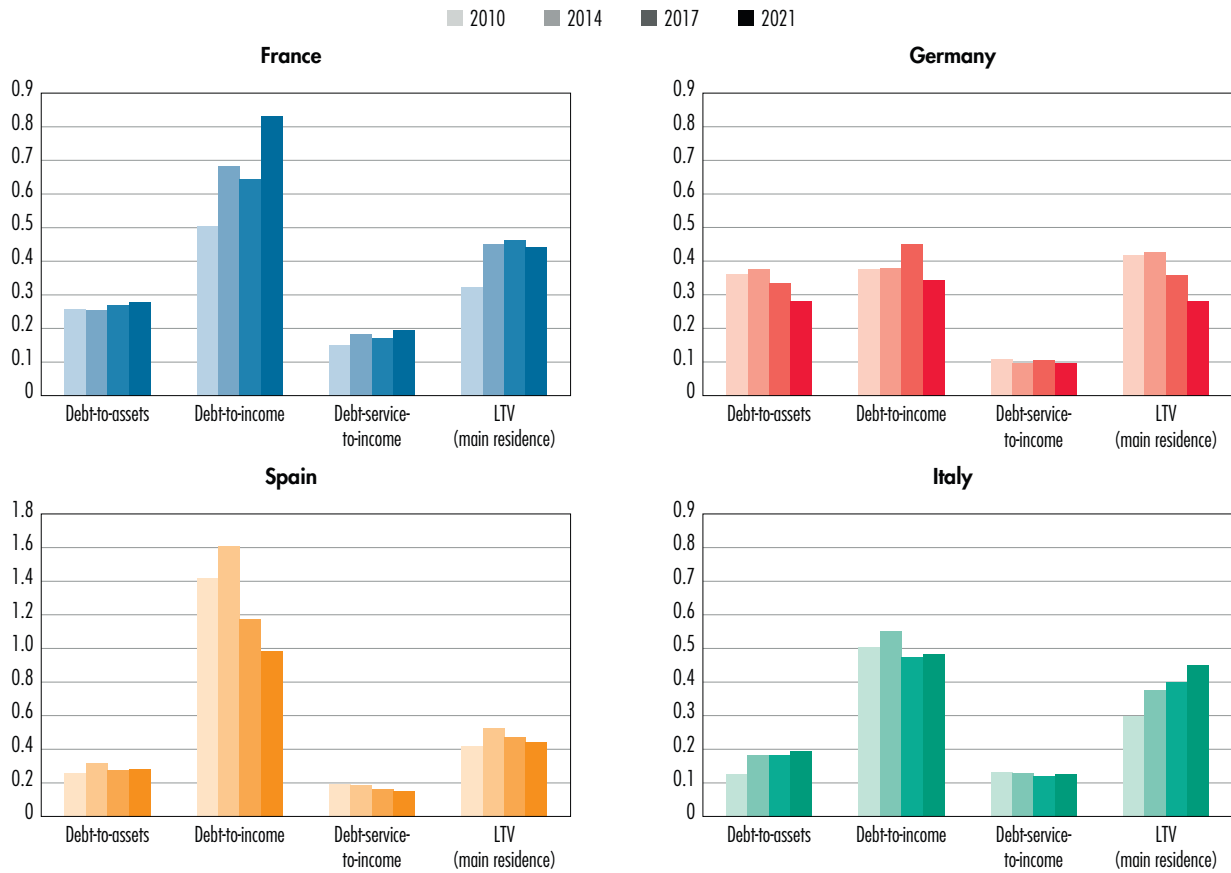
In France and Italy, conversely, some indicators deteriorated. In Italy, the LTV indicator has risen since 2010, and its median value climbed from 0.40 to 0.45 between 2017 and 2021. The increase chiefly concerned households with above-median income (see table in Appendix 2). The other debt ratios were relatively stable at the aggregate level, but that masked disparities according to income levels. Between 2017 and 2021, the debt-to-income ratio of households with above-median income deteriorated (except the top 5%), but improved among lower-income groups.

France is the only country where the debt-to-income ratio rose. Moreover, it increased strongly, with the median value jumping from 0.64 to 0.83 between 2017 and 2021. There was especially marked growth among the top 25% of households in the income distribution, which were also the households that saw the largest increases in debt.

Overall, these indicators point to resilience at the individual level. However, the concentration of debt with the most affluent households and multi-property owners may have accentuated the cyclical nature of credit demand, which is highly dependent on interest rates and which showed a reversal in 2022.

⁶ One of the contributions made by individual data is that we can calculate indicators of financial fragility that take into account only the income of indebted households, rather than the entire population (as is the case with macroeconomic data).

C9 (Median) debt ratios of indebted households



Source: HFCS 2010, 2014, 2017, 2021.

Notes: Ratios are calculated for each indebted household. The charts show median values for these individual ratios by country and by survey wave. The loan-to-value ratio (LTV) is the ratio of the loan to the value of the asset (in this case the main residence).

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Through the prism of household debt patterns in the euro area’s four largest economies, this study helps to gain a better understanding of the factors behind the steady rise in France’s macroeconomic debt-to-GDP ratio, to better identify wealth inequalities in France, and to inform public policymaking.

It also underlines the benefit to economists of having access to granular data that can be compared across countries to explain households’ financial behaviour. These data

make it possible to refine analyses of questions relating to heterogeneity between euro area countries, while providing information on differentiated trends within countries.

Since 2021 and the swift run-up in interest rates, the situation has radically changed. Data from the latest wave of the HFCS carried out in 2023 will be particularly interesting, as they should make it possible to capture the effects of increased inflation and higher interest rates on the wealth accumulation behaviour of European households.

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Appendix 1

Methodological information

Reference periods

For simplicity's sake, the periods covered by each of the survey waves for the four countries analysed are designated as being years 2010, 2014, 2017 and 2021. In practice, the survey periods in each country are not perfectly aligned and reference periods may vary slightly from one country to another (see table TA1). The 2021 survey took place during the Covid-19 period, so collection schedules had to be modified to accommodate lockdowns. The usual method of face-to-face data collection was also adjusted, with some countries opting instead to conduct phone interviews or online questionnaires. Analysis revealed that these adjustments did not materially impact the quality of information collected (Household Finance and Consumption Network, 2023a).

Inflation

In this article, monetary values are adjusted for the change in inflation by country based on the harmonised index of consumer prices (HICP). Specifically, in order to compare the monetary values observed in survey waves 1, 2 and 3 with those of 2021 (wave 4), the coefficients shown in Table TA2 are applied. All monetary values (income and wealth) presented in this article are thus given in constant 2021 euro.

Income

Information on household income collected by the survey covers gross income (before income tax and social security contributions). To compare levels of debt and wealth by

TA2 Adjustment factor for monetary variables between survey waves 1 (2010), 2 (2014), 3 (2017) and 4 (2021)

	Waves 2010 and 2021 (waves 1 and 4)	Waves 2014 and 2021 (waves 2 and 4)	Waves 2017 and 2021 (waves 3 and 4)
France	1.1648637	1.07777	1.0612004
Germany	1.1779935	1.0996979	1.0695397
Spain	1.0719001	1.0325947	1.0218311
Italy	1.112311	1.031031	1.031031

Source: European Central Bank.

TA3 Household average income by income class (survey wave 4, 2021)

(in constant 2021 euro)

Income group	France	Germany	Spain	Italy
Overall	40,661	61,145	36,124	35,877
P0-P25	12,588	16,248	9,529	10,163
P25-P50	25,059	36,020	21,872	21,625
P50-P75	39,882	58,259	35,547	37,055
P75-P90	59,981	91,645	54,576	63,676
P90-P95	84,026	133,176	76,557	104,266
Top 5%	161,666	263,891	148,750	221,990

Source: HFCS 2021.

Note: The P0-P25 category comprises the 25% of households earning the lowest gross income; P25-P50 includes the 25% with the next highest income amounts. Among the 25% of households reporting the highest incomes, a distinction is drawn between the most affluent 5% (the top 5%), the 5% immediately below that group (P90-P95) and the next 15% (P75-P90).

income level across countries, six income classes (from least to most affluent) are defined for each country, based on gross income percentiles (wages, retirement, transfers, capital income). Average income values for each of these classes are detailed in Table TA3 for 2021.

TA1 Survey reference periods by country

		France	Germany	Spain	Italy
Wave 1	Collection dates	10/2009 - 02/2010	09/2010 - 07/2011	10/2011 - 04/2012	01/2011 - 08/2011
	Reference period (assets and debts)	Interview date	Interview date	Interview date	31/12/2010
Wave 2	Collection dates	10/2014 - 02/2015	04/2014 - 11/2014	09/2014 - 03/2015	01/2015 - 06/2015
	Reference period (assets and debts)	Interview date	Interview date	Interview date	31/12/2014
Wave 3	Collection dates	09/2017 - 01/2018	03/2017 - 10/2017	10/2017 - 05/2018	01/2017 - 09/2017
	Reference period (assets and debts)	Interview date	Interview date	Interview date	31/12/2016
Wave 4	Collection dates	09/2020 - 03/2021	04/2021 - 01/2022	11/2020 - 07/2021	03/2021 - 12/2021
	Reference period (assets and debts)	Interview date	Interview date	Interview date	31/12/2020

Source: HFCS 2010, 2014, 2017, 2021.

Appendix 2

Indicators of financial fragility of indebted households, by income level

(in constant 2021 euro)

	Debt-to-assets		Debt-to-income		Debt-service-to-income		LTV (main residence)	
	2017	2021	2017	2021	2017	2021	2017	2021
France								
Overall	0.27	0.28	0.64	0.83	0.17	0.19	0.46	0.44
P0-P25	0.23	0.25	0.30	0.30	0.20	0.25	0.29	0.34
P25-P50	0.31	0.30	0.39	0.41	0.16	0.19	0.47	0.47
P50-P75	0.33	0.31	0.77	0.79	0.18	0.19	0.53	0.47
P75-P90	0.25	0.26	0.96	1.35	0.17	0.20	0.47	0.45
P90-P95	0.22	0.25	0.84	1.44	0.16	0.19	0.38	0.38
Top 5%	0.21	0.21	1.07	1.14	0.16	0.17	0.34	0.34
Germany								
Overall	0.33	0.28	0.45	0.34	0.11	0.1	0.36	0.28
P0-P25	0.83	0.22	0.28	0.21	0.13	0.11	0.51	0.10
P25-P50	0.40	0.44	0.29	0.26	0.12	0.11	0.36	0.29
P50-P75	0.36	0.26	0.40	0.40	0.11	0.11	0.41	0.26
P75-P90	0.29	0.28	0.69	0.52	0.10	0.09	0.34	0.30
P90-P95	0.29	0.18	0.77	0.51	0.10	0.08	0.37	0.30
Top 5%	0.23	0.22	0.54	0.49	0.08	0.06	0.27	0.25
Spain								
Overall	0.28	0.28	1.18	0.98	0.16	0.15	0.47	0.45
P0-P25	0.27	0.26	1.45	0.74	0.31	0.28	0.45	0.46
P25-P50	0.34	0.32	0.97	0.99	0.20	0.19	0.49	0.44
P50-P75	0.29	0.32	1.26	1.10	0.16	0.14	0.53	0.48
P75-P90	0.27	0.25	1.24	1.11	0.14	0.12	0.44	0.44
P90-P95	0.23	0.23	0.96	0.76	0.11	0.09	0.42	0.34
Top 5%	0.19	0.21	0.88	0.94	0.10	0.10	0.41	0.37
Italy								
Overall	0.18	0.19	0.48	0.48	0.12	0.13	0.4	0.45
P0-P25	0.30	0.10	0.66	0.30	0.36	0.19	0.38	0.33
P25-P50	0.21	0.16	0.49	0.38	0.16	0.17	0.44	0.45
P50-P75	0.22	0.24	0.35	0.46	0.12	0.12	0.40	0.45
P75-P90	0.15	0.21	0.32	0.85	0.10	0.11	0.35	0.48
P90-P95	0.14	0.18	0.67	0.98	0.10	0.11	0.40	0.42
Top 5%	0.15	0.16	0.64	0.68	0.08	0.07	0.41	0.36

Source: HFCS 2017, 2021.

Notes: Income level defined by household income percentile (see Appendix 1).

Ratios are calculated for each indebted household, and the table shows the median values for these individual ratios for each income group (see Appendix 1), by country and by survey wave. The debt-to-assets and debt-to-income ratios divide, for each household, total outstanding debt by the value of total assets and total income, respectively. The debt-service-to-income ratio divides annual repayments on all loans by all of the household's annual income. The loan-to-value (LTV) ratio divides debt on the main residence by the property's value.

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