

Does facilitating housing loans help support first-time home purchases?

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Home purchase financing for all households can be facilitated through low interest rates and favourable lending conditions, or through tax measures that are independent of income. However, given an inelastic housing supply, the additional demand that is generated could lead to a risk of higher house prices with no significant effect on home-ownership.

Chart 1: Interest rates on new housing loans and house prices from 2011 to 2025



Sources: Banque de France, Notaires-INSEE.

Favourable conditions for mortgage debt during the 2017-22 period

House prices rose sharply in France during the 2017-22 period (see Chart 1), when interest rates on new housing loans remained very low and other terms for granting housing loans were generally accommodative (with trends towards longer loan maturities, higher debt-service-to-income ratios and lower deposits) This pattern could also be seen in the rest of the

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euro area. Over the period, interest rates on new housing loans (excluding renegotiations) averaged 1.3% in France and 1.5% in Germany, and even pursued a downward trend, dropping 0.5 percentage point between the fourth quarter of 2017 and the first quarter of 2022 in France, and a more limited 0.1 percentage point in Germany. Over the same period, house prices in France and Germany rose by 22% and 40%, respectively. Only Italy remained relatively detached from this phenomenon, with a house price increase of only 7% (see Table 1).

Table 1: House prices and interest rates on housing loans from 2017 to 2022

	France	Italy	Germany	Spain	Euro area
Interest rates on new housing loans* Q4 2017-Q1 2022 average	1.3%	1.5%	1.5%	1.8%	1.5%
Interest rate change between Q4 2017 and Q1 2022 (in percentage points)	-0.5	-0.2	-0.1	-0.3	-0.3
Variation in house prices (Q1 2022/Q4 2017)	+22.2%	+7%	+39.9%	+22.6%	+28.9%

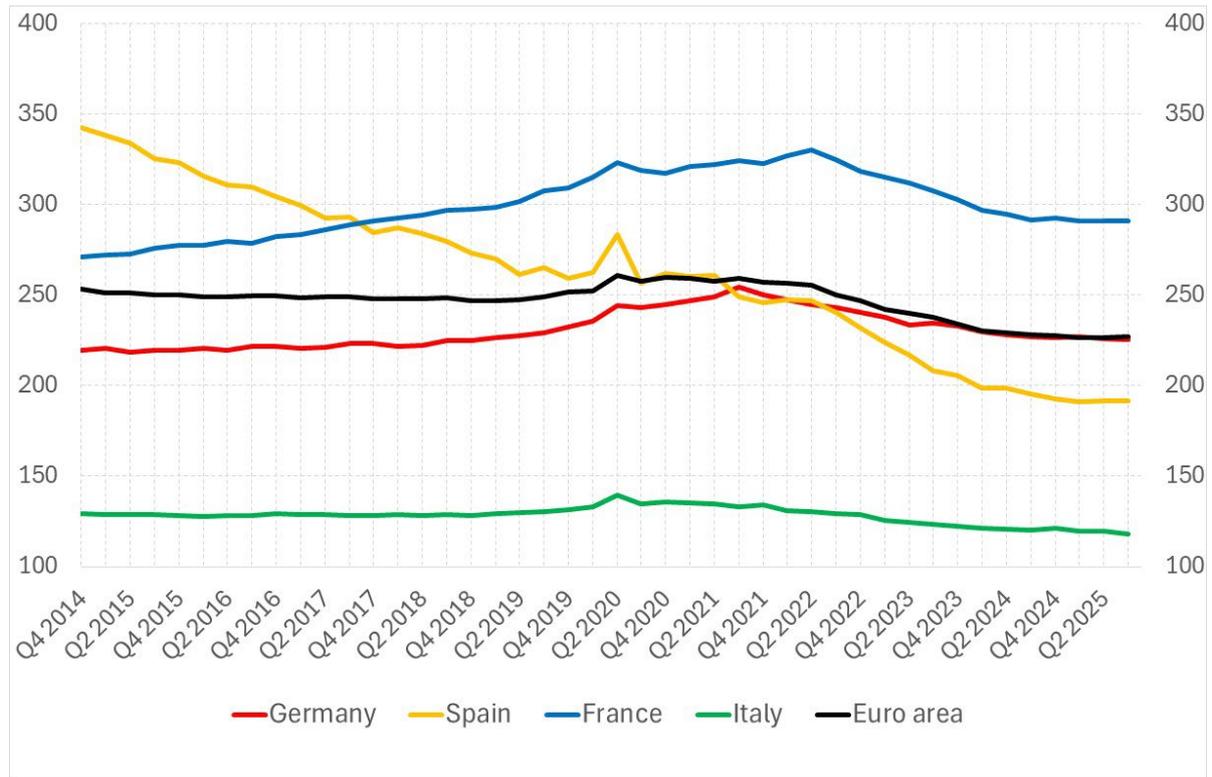
**excluding renegotiations*

Sources: ECB, Eurostat.

Low interest rates have facilitated access to credit and led to an increase in household debt rates. Total outstanding housing loans as a ratio of gross disposable income (GDI) saw particularly strong growth in France between the end of 2014 and the middle of 2022, as it did in Germany until mid-2021. The effect was much less pronounced in Italy, while the downward trend has barely dampened in Spain, where households have continued to reduce their debt (see Chart 2).

Chart 2: Household mortgage debt as a % of GDI

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Sources: ECB, Banque de France (BSI) – Eurostat (GDI).

What effects can financing conditions have on access to home-ownership?

We should not overinterpret a direct comparison of changes in interest rates and changes in house prices. For example, we can see that with the tightening of monetary policy that began in 2022-23 house prices have changed little (see Chart 1), implying difficulties for some households to get on the property ladder, although HCSF standards have made it possible to maintain the share of loans to first-time buyers in new housing loan production.

While interest rate conditions are a key factor in financing, other parameters may also play a role, such as the macroprudential measures implemented to regulate lending conditions. Equally, changes in house prices in a market that is highly fragmented can be the result of a number of factors – of which the cost of credit is only one – including economic conditions, demographics, borrower solvency, land use planning, taxation policy and the yield differential with other financial assets.

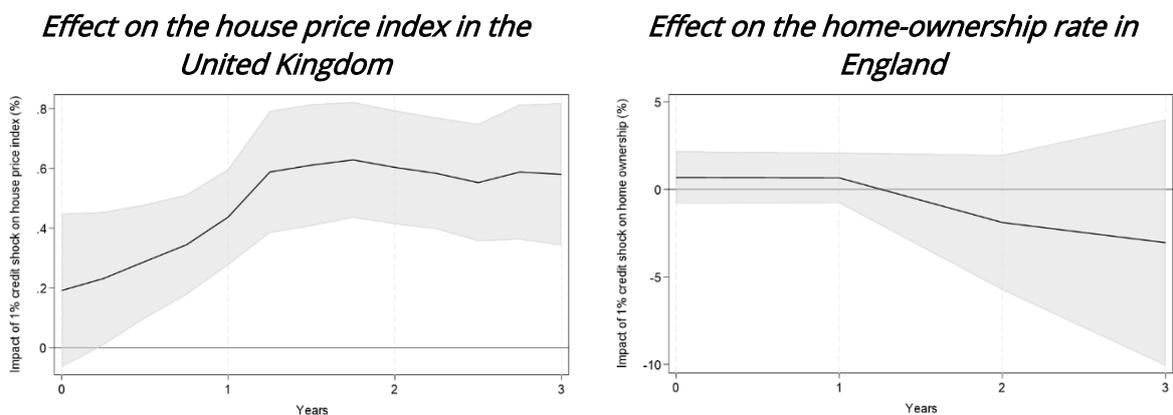
For example, in addition to house prices and the borrowing terms for accessing home-ownership, Bonnet, Garbinti and Grobon (2018) also highlight the part played by changing family structures: the proportion of single-parent families is growing, while the proportion of couples with children – more likely than average to become homeowners – is declining. The authors also assess the importance of financial support (gift assistance and inheritance), which is more likely to be available to wealthier households compared with less well-off younger households.

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However, a recent study by Waddell and Walker (2025) on the relationship between financing conditions, house prices and access to home-ownership is particularly insightful. These authors examine whether expanding mortgage supply in the United Kingdom has had a noticeable effect on home-ownership rates, particularly by providing more financing to first-time buyers. Their findings show that this is not necessarily the case. Instead, the additional mortgage supply tended to (i) favour owner-occupier transactions (sales and repurchases of home-movers' primary residences, and acquisitions of second residences or rental properties), (ii) push up house prices (see Chart 3) and (iii) potentially increase rents.

Chart 3:

Positive shock of a 1% increase in credit supply in the United Kingdom:



Source: [Jamie Waddell and Danny Walker \(2025\)](#).

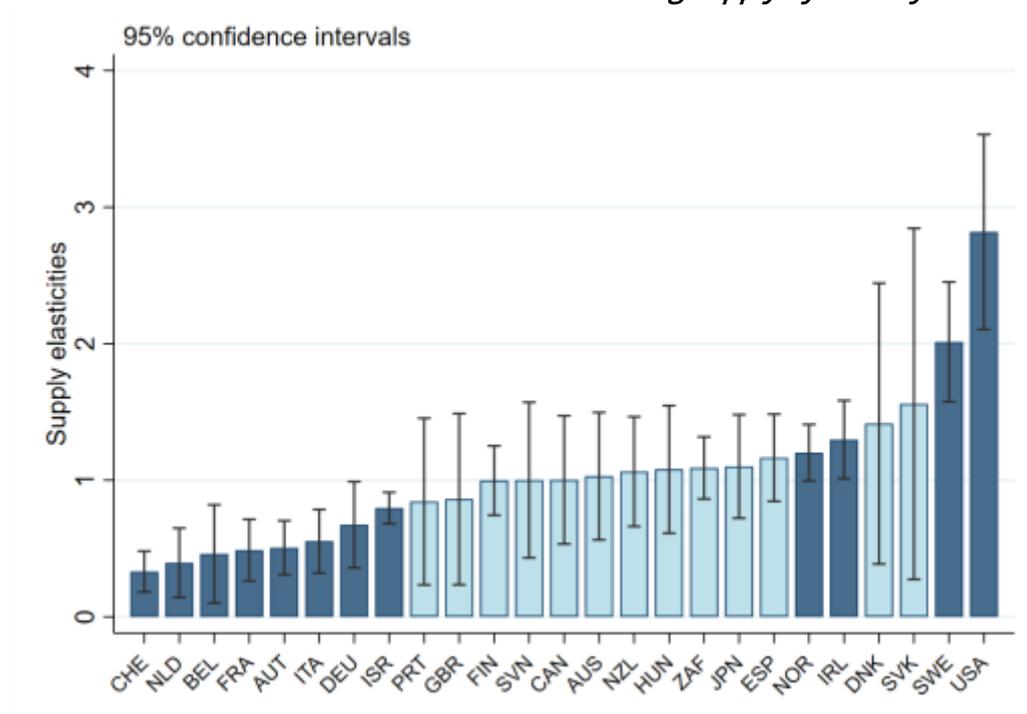
Note: The average increase in house prices before the pandemic was 5% per year.

As Chauvin and Muellbauer (2018) also observe, higher house prices push non-owner households to save more, whether for a housing deposit or in anticipation of higher rents in the future. Access to more favourable financing conditions made available indiscriminately at the macroeconomic level ultimately makes it more difficult for these households to become homeowners.

These results are thus to be interpreted as follows: a positive credit supply shock will lead to an increase in demand for housing, the effects of which are not clear-cut. Two extreme cases can be envisaged. In the first case, if the supply of housing responds elastically to demand, the home-ownership rate can rise. In the second case, if supply cannot increase to meet the additional demand, property prices will rise without having any effect on the home-ownership rate.

Therefore, we need to consider the price elasticity of housing supply in France. According to several studies by the OECD (for example, from 2019, which analyses data from 1980 to the end of 2017), the supply elasticity estimate for France is in the bottom range, with lower responsiveness than in the United Kingdom (see Chart 4).

Chart 4:

Price elasticities and housing supply by country

Source: OECD (2019).

Note: The bars show the point estimate and the vertical lines indicate the corresponding confidence interval. The light blue bars show coefficients that are statistically equal to one.

Consequently, Savignac, Tarrieu, Sédillot and Villetelle (2024) note that, while the low interest rate environment of 2010-21 largely contributed to an increase in household mortgage debt, the proportion of homeowners remained unchanged at around 58%. Furthermore, the proportion of first-time buyers in new housing loan production [did not increase over the period](#). However, the rise in prices during that time led to a sharp increase in the value of the property wealth of homeowner households.

There is nothing new about this phenomenon: in 2005, Lecat and Mésonnier, analysing a panel of 18 industrialised OECD countries in the late 1990s and early 2000s, noted a close interaction between house prices, financial variables and lending conditions.

Looking beyond access to home-ownership

Similarly, with regard to the rental sector, Grislain-Letrémy and Trevien (2022) observed that the long-term effect of an increase in housing subsidies over the 2000-16 period differed across market segments. For dwellings with three or more rooms, rental housing supply remained inelastic in terms of quality and quantity and higher housing subsidies led to a lasting increase in rents over the period. In contrast, for one or two-room dwellings, rents

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stopped rising significantly over the same period and the quantity of private one-room rentals increased in 1999, 2006 and 2016, driven by new building.

Thus, financing arrangements, whether in terms of interest rates – and more generally the conditions for granting housing loans – or support mechanisms, for purchasing or renting do indeed cause an increase in demand which, in the absence of a supply response, does not result in greater access to housing but in higher prices, making access to housing more difficult and raising the value of the property wealth of households that already own their own homes.