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WORKING PAPER ON RESPONSIBLE MORTGAGE LENDING & BORROWING

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Introduction

The recent economic and financial crisis has brought to light that responsible lending as well as effective financial regulation and supervision are essential to ensure the stability and the functioning of the market. Mortgage lending is of vital importance to the European economy, representing almost 50 % of EU GDP. Housing bubbles in Member States as diverse as the Baltic States, Romania, Spain, the UK and Ireland demonstrate that problematic lending has not only been at the source of the financial crisis in the US, but has also been a feature of the European landscape. In its Communication to the Spring European Council *Driving European Recovery* of 4 March 2009, the European Commission announced it would propose measures on responsible lending and borrowing to deliver responsible and reliable financial markets for the future.

Following the *White paper on the Integration of EU Mortgage Credit Markets* of December 2007, which identified issues of direct relevance to responsible lending and borrowing, the Commission undertook a series of studies, expert groups and collections of stakeholder input on these issues. To strengthen and deepen its understanding, it also held consultative meetings with Member States, industry representatives and consumer representatives, including a public consultation launched in June 2009 and a public hearing organised on 3 September 2009. The Commission has also taken note of significant research undertaken in other fora such as the OECD, World Bank and reports by the European Parliament. This extensive consultative work has helped to point the Commission towards a policy approach that could contribute to an avoidance of irresponsible lending and borrowing in the future, while maintaining the long-term goal of an efficient internal market for credit and promoting financial stability throughout the EU.

Planned or ongoing changes to the prudential and supervisory rules governing the banking sector, for example the changes to capital requirements and rules on securitisation, will have a direct bearing on banks' lending practices. The focus with this planned action is more on business conduct. These two strands of work, although undertaken separately, are complementary to each other in that they should each contribute to a lowering of risk and to greater financial stability.

Furthermore, banks are not the only actors in the credit market. There are specific regulatory gaps in this area owing to the lack of a European legal framework for credit intermediaries and non-bank lenders. This goes against the G20's guidance that no market, actor, product or territory should escape relevant regulation and efficient oversight. A lack of regulation in this area offers the potential for consumer detriment and presents an obstacle to the creation of a real internal market for credit.

This document outlines a number of issues which could be covered when addressing irresponsible mortgage lending and borrowing at EU level. If effectively acted upon, these actions could help minimise consumer detriment, improve customer mobility, facilitate cross-border activity and create a level playing field throughout the EU. The following main principles could be envisaged:

- A targeted scope, covering mortgage credits for consumers, i.e. credit agreements secured by a mortgage or by another security, home loans and certain credit agreements aimed at financing the renovation of a property. Definitions would be aligned as much as possible with those under the Directive 2008/48/EC of the European Parliament and the European Council of 23 April 2008.

- Broad principles complemented by targeted harmonised provisions, depending on the nature of the subjects and the most appropriate means to address a lack of effective regulation and weaknesses in the mortgage marketing and sales process.

- A selection of the most important issues related to the conduct of business for mortgage distributors: general operating conditions for credit provision; the content of advertising and marketing; standardised pre-contractual information and an obligation to provide adequate explanations; an obligation to assess the creditworthiness of the consumer and the suitability of credit products for the consumer (and measures on access by lenders to relevant information); and advice standards to be adhered to when advice is provided.

- All mortgage market participants should be subject to appropriate regulation and supervision. In this respect, principles for prudential and supervisory requirements for credit intermediaries and non-credit institutions providing mortgage credit would be established.

- Certain aspects such as the issues to be taken into account for a creditworthiness assessment or the professional requirements applying to credit intermediaries may require the development of more detailed technical guidance or clarification.

- In order to ensure consistency of approach of the national implementation of potential rules under the envisaged action, some broad principles should be put in place on issues such as the national competent authorities (likely to be national banking supervisors or consumer protection authorities), the possibility of applying administrative sanctions and consumers' recourse to alternative dispute resolution.

This working document will be discussed at a series of meetings to be held with representatives of the EU Member States, the mortgage lending and intermediation industry and consumer representatives, advocates and advisors in September 2010.

22.7.2010

COMMISSION SERVICES WORKING DOCUMENT

Responsible Mortgage Lending and Borrowing

Subject matter and scope

Certain aspects of mortgage credit agreements, namely the pre-contractual stage and the regulation of certain mortgage market actors would be covered. However, the manner in which mortgage products should be designed, the terms and conditions of early repayment of mortgage credit, most aspects of the post-contractual relationship between consumers and creditors or the financial education of mortgage borrowers would be outside the scope of the envisaged action.

The scope would apply to credit as defined both by its purpose (the acquisition, retention or renovation of land or existing or projected residential buildings) and the nature of its security (secured by a mortgage or equivalent).

The term 'mortgage' would be used throughout, without the intention to exclude such comparable home loan structures as are used in certain EU Member States.

The lending of consumer credit, such as that falling under Directive 2008/48/EC (Consumer Credit Directive), would be outside of the scope.

The scope would not include 'equity release' credit products such as reverse mortgages or lifetime mortgages, or credit offered by employers to employees at favourable rates and not available on the open market.

A **Glossary** can be found in annex to this document.

General operating conditions

Given the variety of actors involved in the mortgage credit granting process, it is essential that uniform standard of the quality to be upheld is in place.

Conduct of business

Creditors and credit intermediaries should act honestly, fairly and professionally in the best interests of their clients.

The manner in which creditors remunerate their staff and the credit intermediaries with whom they work should not impede this obligation to act in the best interests of the consumer.

Minimum competence requirements

Credit intermediaries and creditors' staff should possess appropriate knowledge and competence in relation to credit agreements, and any ancillary services provided with those credit agreements. Such knowledge and competence should be assessed on the basis of recognised qualifications and experience, and complied with on an ongoing basis. The criteria for meeting the competence requirements should have been made public by the Member State. These provisions need not apply to all natural persons who work for a creditor or credit intermediary.

Advertising and marketing

Unfair, unclear or misleading advertising and marketing of mortgage credit may lead consumers to enter into inappropriate credit contracts. In particular, false promises and/or the withholding of important information could mislead consumers as to the availability of the credit to them, or the price at which it is offered. If insufficiently warned, consumers may not be aware, for example of the risks borrowing in a foreign currency. The introduction of rules concerning general principles for marketing and advertising communications and the content of information to be included in advertising for mortgage products could help safeguard consumers from entering into loans under potentially false pretences.

These measures would be without prejudice to the Unfair Commercial Practices Directive.

General provisions

Any advertising and marketing communications concerning credit should be complete, fair, clear and not misleading.

Wording that may create false expectations for a consumer regarding the availability or the cost of a credit should be prohibited.

Standard information to be included in advertising

Any advertising concerning credit which indicates an interest rate or any figures relating to the cost of the credit to the consumer should include standard information. This information should be easily legible or audible and be given in a clear, concise and prominent way.

It should specify that the product advertised is a credit. It should include the borrowing rate, the annual percentage rate of charge together with the cost of any compulsory ancillary service, the duration of the credit agreement, the amount of the instalments, the total amount payable by the consumer and, if applicable, the maximum percentage of the value of the immovable property that could be financed with the credit. Where applicable, it should contain a warning that the credit is denominated in a foreign currency.

It should contain a warning concerning the risk of losing the immovable property in case of non-observance of the commitments linked to the credit agreement.

Information and explanations

Complex, non-comparable, unclear and untimely pre-contractual information does not help consumers in their borrowing decisions. The contractual links between creditors and credit intermediaries, and the way in which the intermediaries are remunerated may incentivise the recommendation of products that may not be suitable for the client.

The consumer should be provided – in good time – with general information on the credit offers as well as personalised information.

The content and layout of the standardised presentation of pre-contractual information, the European Standardised Information Sheet on Home Loans that has been in place under a self-regulatory Code of Conduct since 2001, would be adapted to identified consumer needs and in line with the results of prior consumer testing. Its status would be upgraded to a compulsory element of the loan transaction.

It is also envisaged for information to be disclosed on credit intermediaries. This would focus on their identification, status, remuneration, the cost of their service and the relationship with the lender. Some of this information would be provided solely at the consumer's request.

The consumer should be given adequate explanations by the creditor or the credit intermediary, according to his knowledge and experience with credit, and therefore be put in a position to assess whether the proposed credit products are adapted to his needs and to his financial situation.

These measures would help consumers to shop around and empower them to make informed decisions.

The content of a possible European Standardised Information Sheet for Mortgage Credit can be found as an annex to this document.

Pre-contractual information

General information about credits on offer should be made available to the consumer by the creditor or credit intermediary before he is requested to provide any personal information. Without going into detail on the profile of a given credit for a given borrower, this information should set out, inter alia, a description of the types of credit available, an indication of the cost of a sample credit, options for reimbursement, whether there is the possibility of early repayment or a reflection period, and procedural aspects of the granting of the credit.

After the consumer has provided the necessary information on his personal situation and preferences, he should receive personalised information by means of the European Standardised Information Sheet. The creditor would provide any additional information in a separate document. The consumer would have the right to be supplied with a copy of the draft contract upon request, unless the creditor is unwilling to proceed to the conclusion of the contract.

Personalised information would mean the information needed to compare the offers available on the market, to assess their implications and to take an informed decision on whether to conclude a credit agreement.

The content of information to be delivered in case of distance marketing would be adapted to the means of communication.

The credit agreement should not be concluded until a minimum of 10 working days has passed after the provision of the ESIS to the consumer, except in those cases where a waiver from this requirement has been requested by the consumer.

Information requirements concerning credit intermediaries

Prior to the performance of any of his services, a credit intermediary should provide the consumer with certain required information.

This information should concern at least his identification and address; the register in which he has been included and the means for verifying that he has been registered; the existence of commissions, if any, payable by the creditor to the credit intermediary for his services; the fee, if any, payable by the consumer to the credit intermediary for his services; the procedures allowing consumers and other interested parties to register complaints about credit intermediaries. A credit intermediary should also provide the consumer with information on whether he has a holding, direct or indirect, representing more than 10 % of the voting rights or of the capital in a given creditor and whether a given creditor or parent undertaking of a given creditor has a holding, direct or indirect, representing more than 10 % of the voting rights or of the capital in the credit intermediary; whether he is acting as a tied credit intermediary.

A tied credit intermediary should provide the names of the creditor(s) for which he is acting, at the consumer's request.

In case of commissions payable by the creditor to the credit intermediary for his services, the credit intermediary should, at the consumer's request, provide information on the variation in levels of remuneration payable by the different creditors providing the credit products being offered to the consumer.

When applicable, the consumer should be informed of his right to request such information.

Explanations on the credit agreement

The consumer should be given adequate information on the credit agreement and any ancillary product by the creditor and where applicable, the credit intermediary, according to his knowledge and experience with credit, and therefore be put in a position to assess whether the proposed credit products are adapted to his needs and to his financial situation.

Adequate explanation should include an explanation of the information and terms presented in the pre-contractual information and of the consequences that taking the loan may have on the consumer, including in case of default in payment by the consumer.

Creditworthiness and suitability assessment

Inadequate creditworthiness and suitability assessment can lead to situations in which borrowers may take on mortgages loans that they will not be able to afford or that are not suitable for their personal situation.

Before granting a mortgage credit, the creditor should assess the consumer's ability to repay it (creditworthiness assessment), taking into account the consumer's personal circumstances such as his income, regular outgoings and any other elements that may influence his ability to repay the loan such as tax relief or other subsidies. The creditor should also ensure that the credit product is appropriate to consumer's personal and financial circumstances (suitability assessment). The allocation of responsibilities between the creditor and the credit intermediary as regards the suitability assessment should be made clear.

These principles should be accompanied by adequate provisions likely to ensure that lenders are able to access information from relevant sources, such as an obligation for Member States to grant non-discriminatory cross-border access to credit databases and an obligation on the consumer to provide correct and up to date information.

Mortgage distributors could also be obliged to refuse to grant the loan in case the results of the creditworthiness assessment do not give sufficient comfort that the consumer will be able to repay it. They should provide a warning in the event of a negative suitability assessment and if the consumer insists on proceeding with the contract.

In order to facilitate the effective exploitation of credit data, further work might be necessary to achieve a convergence of the definitions used in such databases and data processing conditions applied in such databases.

This package of measures could contribute to better lending and borrowing decisions, a reduction in defaults by borrowers and thereby play an important role in overall financial stability.

Creditworthiness assessment

Before the conclusion of the credit agreement, a thorough assessment of the consumer's creditworthiness should be conducted by the creditor on the basis of sufficient information obtained from the consumer, relevant internal or external sources and in accordance to appropriate processes. The consumer's creditworthiness should be re-assessed before any significant increase in the total amount of credit.

If the results of the consumer's creditworthiness assessment are negative, the creditor should deny credit.

If the credit application is rejected on the basis of the data contained in a database that has been consulted or of an automated decision or a decision based on systematic methods such as credit scoring, the creditor should inform the consumer immediately and without charge of the reasons for rejection.

Suitability assessment

Before the conclusion of the credit agreement, the creditor or credit intermediary should thoroughly assess the suitability of credit contracts for the consumer's personal and financial circumstances on the basis of sufficient information, where appropriate obtained from the consumer.

The information taken into account should be information current at the time of the suitability assessment and reasonable assumptions as to the consumer's future situation during the term of the proposed credit agreement. In case involving a credit intermediary that carries out his activity for an unlimited number of creditors, the suitability assessment should be made considering a sufficiently large number of credit products available on the market.

If the consumer insists to contract a credit agreement that the creditor or intermediary has identified as being not suitable for his circumstances, he should be warned of its unsuitable nature. This warning should be signed for receipt by the consumer.

Disclosure by the consumer

Consumers should provide complete and correct information on their financial situation and personal circumstances, supported when necessary by documentary evidence from independently verifiable sources.

Consumers could be subjected to appropriate and proportionate sanctions at national level when they knowingly provided incomplete or incorrect information and are subsequently unable to fulfil the conditions of the contract, where the complete and correct information would have resulted in a negative creditworthiness assessment.

Consumers should be warned that providing insufficient information regarding their financial situation or personal circumstances would not allow the creditor or the credit intermediary to carry out a suitability or creditworthiness assessment and therefore that the credit may not be granted.

These principles would be without prejudice to the application of existing EU directives on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

Access to databases

There should be non-discriminatory access to databases used at national level for assessing the creditworthiness of consumers and for monitoring the consumer's compliance with the credit obligations over the life of the credit agreement.

Advice

As set out in the glossary, advice should be understood as the provision of a personal recommendation to a consumer on suitable credit products for that consumer’s needs and circumstances, either upon his request or at the initiative of the advisor.

Provisions on advice will not render it compulsory. It should constitute a separate financial service from the granting of the credit. Nevertheless, in those cases where advice is given, it should be possible to ensure that it is given in as objective a manner as possible and in line with the profile of the borrower.

Advice standards

The advisor should consider a sufficient selection of available credit agreements in the preparation of his recommendation, in order to recommend the most suitable credit product for the consumer’s needs, financial situation and personal circumstances.

The advisor should obtain the necessary information regarding the consumer’s personal and financial situation, his preferences and objectives to enable the advisor to recommend to the consumer the credit agreement that is most suitable for him.

Annual Percentage Rate of Charge

The APRC is the main indicator used for the comparison of mortgage credit offers. A common understanding throughout the EU of both the list of costs to be taken into account and the calculation method is therefore useful.

In view of the fact that the definition of the APRC as adopted under the Consumer Credit Directive is often also applied to mortgage credit, and in order to facilitate comparison between the two types of credit, the definition to be considered here should be as close as possible as that used in the CCD.

APRC Calculation

The annual percentage rate of charge, equating, on an annual basis, to the present value of all commitments (drawdowns, repayments and charges), should be calculated in accordance with a mathematical formula (this formula would be the same as that annexed to the Consumer Credit Directive).

The total cost of the credit to the consumer should be determined, with the exception of any charges payable by the consumer for non-compliance with any of his commitments and charges other than the purchase price which he is obliged to pay.

Costs for a payment account should be included in the total cost of credit to the consumer unless the opening of the account is optional and the costs of the account have been clearly and separately shown elsewhere.

The calculation of the annual percentage rate of charge should be based on the assumption that the credit agreement is to remain valid for the period agreed.

In the case of variable rate agreements, the APRC should be calculated based on the initial level.

Updates on the borrowing rate and APRC

The consumer should be informed of any change in the borrowing rate or the APRC, on paper or another durable medium, before the change enters into force. The information on the borrowing rate should state the amount of the repayments to be made after the entry into force of the new borrowing rate and, if the number or frequency of the payments changes, particulars thereof.

The parties could agree in the credit agreement that this information should be given to the consumer periodically in cases where the change in the borrowing rate or the APRC would be caused by a change in a reference rate, the new reference rate is made publicly available and the information concerning the new reference rate is also kept available in the premises of the creditor.

Prudential and supervisory requirements

One of the core pillars of the envisaged action would be to establish principles for a regulatory and supervisory framework for credit intermediaries. It would allow for the authorisation and registration of credit intermediaries (subject to compliance with certain prudential requirements on entry into the business and on an ongoing basis) and for the creation of a passport regime for credit intermediaries. This would bring the framework at EU level for the intermediation of credit in line with that already in place for the intermediation of insurance or financial instruments. Coherence and compatibility between the envisaged actions for credit intermediaries are sought with existing requirements for the other financial sectors.

The action would also aim to achieve a more level playing field for creditors, whereby Member States should ensure that all creditors, including non-banks, are subject to appropriate regulation and supervision. It would not go into detail on how this should be achieved. In view of the limited number of Member States in which non-bank creditors are active and their small market share, a passport regime for non-banks is not envisaged.

Registration of credit intermediaries

Credit intermediaries should be registered with a competent authority in their home Member State. Member States may allow for creditors' trade organisations and other bodies to collaborate with the competent authorities in registering credit intermediaries and in the application of prudential requirements of to such intermediaries.

The registration should cover legal persons, and also include the names of the natural persons within the management responsible for the intermediation business.

More than one register for credit intermediaries could be established, provided that criteria are laid down according to which intermediaries would be registered and authorised.

The various registers should be accessible quickly and easily through a single information point, which should be compiled electronically and kept constantly updated. This information point should also provide the identification details of the relevant competent authorities The register should also indicate the Member State(s) in which the intermediary would be authorised to conduct business.

Authorisation of credit intermediaries

Credit intermediaries should be authorised by a competent authority in their home Member State. This authorisation of credit intermediaries – including tied ones – should be made subject to the fulfilment of professional requirements.

Credit intermediaries duly authorised by their home Member State authority should be allowed to take up and pursue the activity of credit intermediation in the Community by means of both freedom of establishment and freedom to provide services without a requirement for further authorisation by the host Member State authorities.

If the credit intermediary no longer fulfils the requirements under which authorisation had been granted or had obtained the authorisation through false statements or any other irregular means, its authorisation should be withdrawn.

Professional requirements applicable to credit intermediaries

The general competence requirements referred to above would also apply to credit intermediaries. In addition, it should be possible to adjust the requirements in terms of knowledge and competence at national level, particularly if the principal professional activity of the intermediary is other than credit intermediation. In such cases, that intermediary should pursue the activity of credit intermediation only if a credit intermediary fulfilling the knowledge and competence requirements or a creditor were to assume full responsibility for his actions.

Credit intermediaries should be of good repute. As a minimum, they should have a clean police record or any other national equivalent in relation to serious criminal offences linked to crimes against property or other crimes related to financial activities and they should not have previously been declared bankrupt, unless they have been rehabilitated in accordance with national law.

Creditors should be in a position to check the good repute of credit intermediaries.

Credit intermediaries should hold professional indemnity insurance covering the territories in which they offer services, or some other comparable guarantee against liability arising from professional negligence, unless such insurance or comparable guarantee were already to be provided by a creditor or other undertaking on whose behalf the credit intermediary would act or for which the credit intermediary would be empowered to act or such undertaking would take on full responsibility for the intermediary's actions.

Supervision of credit intermediaries

Once authorised, credit intermediaries should be subject to supervision by a competent authority on their ongoing activities and their compliance with the professional requirements.

Notification of establishment and services in other Member States

Any credit intermediary intending to carry on business for the first time in one or more Member States should inform the competent authorities of the home Member State, who should, within a period of one month thereafter, .inform the competent authorities of the host Member State(s) concerned. The credit intermediary may start business one month after the date of that notification.

In cases of the withdrawal of authorisation of credit intermediaries by the home Member State, that home Member State should inform the host Member State(s) of such withdrawal, by any appropriate means.

Authorisation, registration and supervision of creditors

All creditors, including non-credit institutions, should be subject to adequate authorisation, registration and supervision, by a body or authority independent from creditors.

Annex 1: Glossary

- **'consumer'**: a natural person who is acting for purposes which are outside his trade, business or profession;
- **'creditor'**: a natural or legal person who grants or promises to grant credit in the course of his trade, business or profession;
- **'credit agreement'**: an agreement whereby a creditor, directly or through a credit intermediary, grants or promises to grant, to a consumer, a credit in the form of a deferred payment, loan or other similar financial accommodation;
- **'ancillary service'**: a financial service offered to the consumer by the creditor or credit intermediary in conjunction with the credit agreement;
- **'credit intermediary'**: a natural or legal person who is not acting as a creditor and who, in the course of his trade, business or profession, for a fee, which may take a pecuniary form or any other agreed form of financial consideration, undertakes the activity of credit intermediation, i.e.:

  (i) presenting or offering credit agreements to consumers;

  (ii) assisting consumers by undertaking preparatory work in respect of credit agreements other than as referred to in (i), where applicable, providing advice; or

  (iii) concluding credit agreements with consumers on behalf of the creditor.
- **'tied credit intermediary'**: any credit intermediary who carries out the activity of credit intermediation exclusively for a limited number of creditors but not for the whole market; and who acts under the full responsibility of those creditors for the products originated by them;
- **'independent credit intermediary'**: any credit intermediary who carries out the activity of credit intermediation independently and for an unlimited number of creditors;
- **'credit institution'**: a credit institution as defined in Article 4(1) of Directive 2006/48/EC;
- **'non-credit institution'**: any natural or legal person who grants or promises to grant credit in the course of his trade, business or profession and which is not a credit institution;
- **'creditor's staff'**: any employee of the creditor having contacts with consumers and who is engaged in the activities that form the subject of this discussion document
- **'total cost of the credit to the consumer'**: all the costs, including interest, commissions, taxes and any other kind of fees which the consumer is required to pay in connection with the credit agreement and which are known to the creditor, except for notarial costs; costs in respect of ancillary services relating to the credit agreement, in particular insurance premiums, are also included if, in addition, the conclusion of a service contract is compulsory in order to obtain the credit or to obtain it on the terms and conditions marketed;
- **'total amount payable by the consumer'**: the sum of the total amount of the credit and the total cost of the credit to the consumer;

- **'annual percentage rate of charge'**: the total cost of the credit to the consumer, expressed as an annual percentage of the total amount of credit
- **'borrowing rate'**: the interest rate expressed as a fixed or variable percentage applied on an annual basis to the amount of credit drawn down;
- **'advice'**: the provision of a personal recommendation to a consumer on suitable credit agreements for that consumer's needs and financial situation, either upon his request or at the initiative of the creditor or credit intermediary providing advice. It constitutes a separate financial service from the granting of a credit;
- **'explanation'**: the provision of personalised information on the characteristics of the credits on offer, without however formulating any recommendation;
- **'reflection period'**: the period of time following the lender's decision to grant the credit, in which the consumer can decide on whether or not to conclude the credit agreement;
- **'creditworthiness assessment'**: the evaluation of a consumer's ability to meet his debt obligations;
- **'suitability assessment'**: the evaluation of the products being offered to the consumer in relation to that consumer's personal needs and financial situation;
- **'durable medium'**: any instrument which enables the consumer to store information addressed personally to him in a way accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored;
- **'home Member State'**: either

  (a) where the creditor or credit intermediary is a natural person, the Member State in which his residence is situated and in which he carries on his business;

  (b) where the creditor or credit intermediary is a legal person, the Member State in which its registered office is situated or, if under national law it has no registered office, the Member State in which its head office is situated;
- **'host Member State'**: the Member State in which the creditor or credit intermediary has a branch or provides services.

Annex 2: Possible European Standardised Information Sheet for Mortgage Credit

A standardised information sheet to facilitate comprehension and comparison of mortgage pre-contractual information could be completed as follows:

0. Introductory text	
This document was produced on [current date] *in reply to your request for information. This document does not constitute an obligation for the lender to grant a credit.* *This document was produced on the basis of the information that you have provided so far and on the current financial market conditions. The information below remains valid until* [validity date]. *After that date, it may change in line with market conditions.*(*)	(*)The validity date shall be properly highlighted.
1. Credit provider	
[Name](*) [Postal address](*) [Telephone number](*) [E-mail address](*) [Web address](*) *Supervisory authority**)* [Name and Web address] *Contact person:* (***) [Full contact details]	(*) This information will refer to the creditor's headquarters. (**) Relevant authority for the supervision of lending activities (***) This information is optional.

2. Main features of the credit	
Amount and currency of the credit granted: [value](*) *Duration of credit:* [duration](**) [Type of the credit] (***) [Type of the applicable interest rate](****) [Maximum available credit amount relative to the value of the property](****)	(*) When the currency of the credit will not be the national currency, a warning indicating *"This credit is not in [national currency]"* will be included. (**) in years or months, whatever most relevant. (***) Description of the type of credit, clearly indicating how the capital and the interests will be reimbursed during the life of the credit (i.e. constant, progressive or regressive reimbursements). (***) Indication of whether the interest rate is fixed or variable, and where applicable, the periods during which it will remain fixed, the frequency of subsequent revisions and the existence of limits to the interest rate variability, such as caps or floors. (****) The formula used to revise the interest rate will be explained. The creditor shall also indicate where further information on the indices or rates used in the formula can be found. (****) Indication of the loan-to-value ratio to be accompanied by an example in absolute terms of the maximum amount that can be borrowed for a given property value.
3. Interest rate	
The APRC is the total cost of the credit expressed as an annual percentage. The APRC is provided to help you to compare different offers. The APRC applicable to your credit is [APRC]. *It comprises* *Interest rate* [value in percentage] [other components of the APRC] (*)	(*) All the other costs (name and rate) contained in the APRC will be listed. If providing a percentage rate for each of those costs is not possible or does not make sense, the creditor will provide a global percentage rate.

4. Frequency and number of payments	
Repayment frequency: [frequency](*) *Number of payments:* [number](**)	(*) When regular, the frequency of payments will be indicated (e.g. monthly…); when the frequency of payments will be irregular, this should be clearly explained to the borrower. (**) for the whole duration of the credit.
5. Amount of each instalment	
[Amount] (*) (**)(***)	(*) Indicating the currency. (**) If the amount of the instalments may change during the life of the credit, the creditor shall specify here the period during which that initial instalment amount will remain valid and when and how frequently afterwards it will change. (***) If the credit currency is different to the national currency, the creditor shall include numerical examples clearly showing how changes to the relevant exchange rate may affect the amounts of the instalments. The illustrated exchange rate changes will need to be realistic, symmetrical and include at least the same number of unfavourable cases than of favourable cases.
6. Illustrative repayment table	
This table shows the amount to be paid every [frequency](*). *The instalments (column [relevant n°]) are the sum of interest paid (column [relevant n°]), capital paid (column [relevant n°]) and, [where relevant,] other costs (column [relevant n°]). Outstanding capital (column [relevant n°]) is the amount of the credit that remains to be reimbursed after each instalment.*(**) [Amount and currency of the credit] [Duration of the credit] [Interest rate] (***)	(*) e.g. 'month', 'quarter'… (**) When other costs are included in the instalments. This introductory text will explain what those costs are. (***) When the interest may vary during the life of the credit, the creditor shall indicate here the period during which that

	initial interest rate will remain valid.
[Table] (****)	(****) The tables will contain the following columns: 'repayment moment', 'amount of the instalment', 'interest to be paid per instalment', 'other costs included in the instalment' (if relevant), 'capital repaid per instalment' and 'outstanding capital after each instalment'. For the first repayment year the information will be given for each instalment and a subtotal will be indicated for each of the columns at the end of that first year. For following years, the detail can be provided on an annual basis. An overall total row will be added at the end of the table and will provide the total amounts for each column. The total paid by the borrower (i.e. the overall sum of the 'amount of the instalment' column) will be clearly highlighted.
(If applicable) [Warning on the variability of the instalements] (*****)	(*****) If the interest rate is subject to revision and the amount of the instalment after each revision is unknown, the creditor may indicate in the table the same instalment amount for the whole credit duration. In such a case, the creditor shall draw that fact to the attention of the borrower by visually differentiating the amounts which are known from the hypothetical ones (e.g. using a different font, borders or shadows). In addition, a clearly legible text will explain for which periods the amounts represented in the table may vary and why. The creditor will also include 1) if relevant, the applicable caps and floors, 2) an example of how the amount of the instalment would vary if the interest rate increases or decreases by 1% and 3) if there is a cap, the instalment amount in the worst case scenario.

7. Additional obligations and costs	
The borrower must comply with the following obligations in order to benefit from the credit conditions described in this document. [Obligations] (*) (If applicable) *Please note that the credit conditions described in this document (including the interest rate) may change if these obligations are not complied with.* *In addition to the costs already included in the [frequency](**) instalments, this credit entails the following costs: (***)* Costs to be paid on a one-off basis Costs to be paid regularly *Please make sure that you are aware of all other taxes and costs (e.g. notary fees) associated to this credit.*	(*) The contractor will refer here to obligations such as the need to insurance the property, to purchase life insurance or to buy any other product or service. For each obligation, the contractor shall specify towards whom and by when the obligation needs to be fulfilled. (**) e.g. 'monthly', 'quarterly'… (***) The creditor shall list each of the costs by category, indicating their amount, to whom they are to be paid and at what moment. If the amount is not known, the creditor will provide a possible range or an indication of how the amount will be calculated.

8. Early repayment	
(If applicable) *You do not have the possibility to repay this credit early.* (If applicable) *You have the possibility to repay this credit early fully or partially.*	
(If applicable) [Conditions] (*)	(*) The creditor shall indicate under which conditions, if any, the credit may be repaid early.
[Procedure] (**)	(**) The creditor shall indicate the steps the borrower should take in order to request the early repayment.
(If applicable) *Exit charge*: [] (***) (If applicable) *Should you decide to repay this credit early, please contact us to ascertain the exact level of the exit charge at that moment.*	(***) The creditor shall indicate the exit charge that will be applied to the early repayment. In cases where that exit charge would depend on different factors, such as the amount repaid or the prevailing interest rate at the moment of the early repayment, the creditor shall indicate how the exit charge will be calculated. Illustrative examples will be provided in order to demonstrate to the borrower the level of the exit charge under different possible scenarios.
9. Right of withdrawal	
(If applicable) *For a period of* [length of withdrawal period] *after the signing of the credit agreement, the borrower may exercise his right to cancel the agreement.* (*)	(*) The contractor shall also specify: the conditions to which this right is subject (if relevant), the procedure that the borrower will need to follow in order to exercise this right and the corresponding fees (if applicable).
10. Internal complaint scheme	
[Name of the relevant department] [Postal address] [Telephone number] [E-mail address]	
Contact person: [contact details] (*)	(*) This information is optional for the creditor.

11. External complaint body	
In the event of disagreement with the creditor, which remains unresolved, the borrower has the possibility to address a complaint to: [Name of the complaint body] [Postal address] [Telephone number] [E-mail address]	
12. Non-compliance with the commitments linked to the credit: consequences for the borrower	
[Types of non-compliance] (*)	(*) Where the non-observance of any of the borrower's obligations linked to the credit may have financial or legal consequences for the borrower, the creditor shall describe here the different possible cases (e.g. late payments/default, failure to respect the obligations set out in Section 8)
[Financial and/or legal consequences] (**) *Should you encounter difficulties in making your [frequency] payments, we invite you to contact us as quickly as possible to explore possible solutions.*	(**) For each of those cases, the creditor shall specify, in clear, easily comprehensible terms, the penalties or consequences to which they may give rise. Reference to serious consequences should be highlighted.

13. Risks and warnings	
We draw your attention to the risks involved in taking out a mortgage credit.(*) • *(If applicable) The interest rate of this credit does not remain fixed during the whole credit duration.* (**) • *(If applicable) This credit is not in [national currency]. Please note that the amount in [national currency] that you will need to pay at each instalment will vary in line with the [credit's currency/national currency] exchange rate.* • *You will also need to pay other taxes and costs (e.g. notary fees).* • *Your income may change. Please make sure that in case of lower income you will still be able to afford your [frequency] repayment instalments.* • *Your home may be repossessed if you do not keep up with payments.*	(*) Listed warnings will be highlighted (e.g. using a bold font). (**) The creditor will recall here the general interest rate revision rules and provide a quantitative example of how the instalments will increase if the credit's interest rate would increase by 1 % and/or in the worst case scenario (if there exist a cap to the interest rate variability).