CaixaBank

CaixaBank adheres to the Code of Best Practices

Applicable law

Royal Decree Law 6/2012, of 9 March, on urgent measures to protect low-income mortgage debtors, as modified by Law 1/2013, of 14 May, on measures to strengthen the protection of mortgage borrowers, debt restructuring and social rent, by Royal Decree Law 1/2015, of 27 February, on second chance mechanisms and the reduction in the financial burden, and other measures of a social order and Royal Decree Law 5/2017, of 17 March, as modified by Royal Decree Law 6/2012, of 9 March and Law 1/2013, of 14 May.

Introduction

The Code of Best Practices establishes measures intended to restructure the mortgage debt of those home owners who are struggling to make their payments (depending on their personal and financial circumstances).

Who is it aimed at?

The Code of Best Practices is aimed at **loan and mortgage** borrowers that have mortgaged their **primary residence** and who are at risk **of social exclusion**. It is also aimed at **guarantors and non-debtor guarantors** for mortgages on their primary residence, under the same conditions as for mortgage debtors.

Who is at risk of social exclusion?

Any debtor with a loan or mortgage on their primary residence, and provided they meet **all the following requirements**:

a) If the combined income of the family unit[1] does not exceed three times the annual Public Indicator of Multiple Effect Income (known in Spain as IPREM) of 14 monthly payments.

The limit will be four times the annual IPREM of 14 payments if any member of the family unit has a certified disability of more than 33%, is a dependent person or has an illness that can be proven permanently or temporarily prevents them from working. This will climb to five times the IPREM in the event that the mortgage debtor has cerebral palsy, a mental illness or intellectual disability, a certified disability of 33% or more, or a physical or sensory disability of 65% or more, and in cases where the borrower has a serious illness that prevents them or their carer from working.

b) The family unit must, in the four years leading up to the request, have experienced a significant alteration to their economic circumstances (if the mortgage debt burden on their family income has multiplied by at least 1.5) **or if the family circumstances have become particularly vulnerable** (large families, single-parent families with dependent children, families with a child, a family unit that has in its care persons with a disability of more than 33%, where the debtor is fully dependent or has an illness which prevents them from working, In the same dwelling, one or more persons who are united with the mortgage holder or his / her spouse by kinship bond up to the third degree of consanguinity or affinity, and who are in a personal situation of disability , Dependency, serious illness that temporarily or permanently incapacitates them to perform a work activity, family unit in which there is a victim of gender violence, or if the debtor is over 60 even if they do not meet the requirements to be considered a family unit).

The monthly mortgage payment must exceed 50% of the family unit's joint net income, or exceed 40% for those cases mentioned in point 1 above.

1. For these purposes, the family unit shall be deemed to comprise the debtor, their legal spouse (not separated) or civil partner, and their children regardless of their age who live in the residence, including any children for whom they are guardians, have custody or foster.

For the purposes of subparagraphs a) and b) above, a Social Security pensioner who has a permanent disability pension in the degree of total, absolute or major disability shall be considered as having a disability equal to or greater than 33%, And pensioners of passive classes who have recognized a pension of retirement or of retirement by permanent incapacity for the service or uselessness.

The following conditions must be met for debt relief and delivery of the property in full satisfaction of debt:

A The family unit must have no other assets.

B The mortgage loan must have been granted for that specific residence and in order to acquire it.

C There must be no other guarantees.

D Any co-debtors who do not form part of the family unit must fall within the terms of points A), B) and C) above.

The Code of Best Practices shall extend to mortgages set up to guarantee loans or other credit facilities provided the acquisition price of the mortgaged property meets the following requirements:

1 - For any previous restructuring or complementary measures (debt relief), if the acquisition price of the mortgaged property:

Does not exceed 20% of the amount obtained by multiplying the floor area of the property by the average price per square meter of the property based on the property price index drawn up by the Ministry of Public Works for the year the property was acquired and the province in which the property is located, subject to a maximum cap of €300,000. Properties acquired prior to 1995 will take the 1995 average reference price.

2 - For the complementary measures (delivery of the property in full satisfaction of debt) if the acquisition price of the mortgaged property:

Does not exceed the price obtained by multiplying the floor area of the property by the average price per square meter of the property based on the property price index drawn up by the Ministry of Public Works for the year the property was acquired and the province in which the property is located, subject to a maximum cap of €250,000. Properties acquired prior to 1995 will take the 1995 average reference price.

Where can these values be consulted?

• By clicking on this link:
http://www.fomento.gob.es/BE2/?nivel=2&orden=35000000
• When you have opened the link, click on option 1 ("Valor tasado de vivienda libre - Appraised value of private housing").

What is the Code of Best Practices?

The Code of Best Practices is a series of measures to protect mortgage debtors without financial resources.

What are these measures exactly and how are they applied?

1 - Debt restructuring

Once a client has submitted a request to restructure their mortgage debt and provided supporting documentation showing that they are at risk of social exclusion, the bank will have one month in which to inform the mortgage holder of the viability[2] of the restructuring plan, which will entail the following measures applied in tandem:

Principal repayment grace period of 5 years at Euribor + 0.25%.

Extending the term for repaying the loan to **40 years** from the date it was granted.

Indefinite disapplication of the floor clauses contained in the loan and mortgage loan contracts.

No compensation for early repayment in the 10 years following approval of the plan.

Maximum default interest: **interest agreed + 2%**.

2. For these purposes, the restructuring plan will be deemed viable if, from the time it is applied, the resulting instalment is less than or equal to 50% of the household

Additionally, the Bank may consolidate all the debts incurred by the debtor.

Debtors in the process of foreclosure proceedings in which the date of the auction is known may not request this procedure.

What documentation does the debtor need to submit when requesting a restructuring?

In order to prove the income of the members of the family unit:

- Income certificate, and, if applicable, an income tax certificate from the Spanish Tax Authority or competent body of the autonomous region for the last four tax years.
- Last three payrolls received.
- Certificate issued by the benefits agency confirming the amount of the monthly unemployment payments or benefits received.
- Certificate accrediting receipt of social wages, minimum insertion income or similar social aid paid by autonomous regions and local entities.
- For self-employed workers receiving benefits for termination of activity, the certificate issued by the pertinent body stating the monthly amount received.

In order to prove the number of residents in the property:

- Family register or document accrediting status as a civil partnership.
- Census certificate for all people residing at the property, with this certificate to refer to the point of time at which the supporting documents are presented and the previous six months.
- Statement of disability, dependence or permanent incapacity to work.

In order to prove ownership of assets:

- Ownership certificates issued by the Land Registry for each member of the family unit.
- Property deeds, mortgage security certificates orany other documentation evidencing other collateral security or personal guarantees.

Sworn statement from the debtor(s) that they meet the requirements to be considered at risk of social exclusion, using the standard form approved by the committee set up to monitor compliance with the Code of Best Practices.

2- Debt relief

If the restructuring plan is deemed non-viable[3], the customer may request debt relief, which may or may not be granted. The Royal Decree Law offers various options.

Debt relief may be sought by debtors in the process of foreclosure with an auction scheduled, or debtors who are at risk of social exclusion pursuant to RDL 1/2015 who may not request that the property be used to fully settle the debt as the property has since acquired encumbrances after the mortgage date.

3- Delivery of property in full satisfaction of debt.

Within 12 months of submitting the restructuring request, any debtors who fall within article 2 of Royal Decree Law 6/2012, of 9 March, and who are deemed non-viable for either a restructuring or complementary measures (debt relief) may request a delivery of their primary residence in full satisfaction of their outstanding debt, provided the property has no further liens attached to it after the date of the mortgage and the bank is **obliged to accept this delivery in full satisfaction**. In this case, **the debt is therefore settled in full**.

The owner is offered the possibility of delivering the property to the bank and renting it for two years (non-extendable), unless a written agreement is reached by the parties.

- During the first two years, the annual rent shall be 3% of the total amount of the outstanding debt at the time the dation in payment is made; the market rent shall apply thereafter.
- Default interest of 10%.

This measure does not apply to debtors who are embroiled in foreclosure proceedings with an auction scheduled or those whose property has acquired further liens after the mortgage date.

3. For these purposes, a restructuring plan shall be deemed non-viable when payment exceeds 50% of the household income.

Advantages for non-debtor mortgage guarantors or mortgagors

Non-debtor mortgage guarantors or mortgagors who are at risk of social exclusion may request that the debt not be called in until the assets of the main debtor have been exhausted, without prejudice to the application, where applicable, of the measures outlined in the Code of Best Practices, even when in the contract the guarantors may have expressly waived their right to have the assets of the principal debtor applied first.

Tax advantages of the Code of Best Practices

The measures contained in the Code of Best Practices have the following tax advantages.

They are exempt from stamp duty for the deeds needed to novate and amend the mortgage or loan.

For delivery of property in full satisfaction of debt:

- **Municipal tax on the increase in the value of urban land** (known in Spanish as *plusvalía municipal*) is met by the **financial institution**.

- **Personal income tax exemption** for the debtor on any capital gains arising from the

arrangement. - **50% discount** on registration and notary fees.

4.- Right of rent in case of execution of the habitual residence

The executed mortgage debtor whose suspension has been suspended in accordance with the provisions of article 1.1 of Law 1/2013, of May 14, of measures to strengthen mortgage debtors, debt restructuring and social rent may request and obtain from the Renter of the dwelling, or person acting on his or her own, the rent of the same for a maximum annual rent of 3% of its value at the time of approval of the auction, determined according to appraisal, provided by the executed and certified by a Appraiser approved in accordance with the provisions of Law 2/1981 of 25 March on Mortgage Market Regulation. The request referred to in the previous paragraph may be made within six months of the entry into force of Royal Decree Law 5/2017 (last modification of Royal Decree-Law 6/2012, dated March 9 and Law 1/2013, of May 14), for those executed who were already beneficiaries of the suspension and since the suspension occurs for those who benefited thereafter. Said lease will have an annual duration, renewable at the will of the lessee, until the term of five (5) years has elapsed. By mutual agreement between the executed and the winner can be extended annually for five (5) additional years.