

# **VOLUNTARY CODE OF CONDUCT ON PRE-CONTRACTUAL INFORMATION TO BE GIVEN TO CONSUMERS BY LENDERS OFFERING HOUSING CREDIT**

## **Introduction**

The banks that are members of the Association of Cyprus Commercial Banks, in their continuous effort to offer comprehensive information to their customers, have adopted the European Code of Conduct for housing credit (hereafter “the Code of Housing Loans”) that refers to the pre-contractual information that must be given to consumers by lenders providing housing loans.

The aim of the Code of Housing Loans is consumer protection in the area of home lending. This is achieved by providing consumers with an information sheet that includes the following:

- I. General information regarding housing loans that the lender offers.**
- II. Personalised information on a pre-contractual level to be presented in a European Standardised Information Sheet.**

It is noted that the Code of Housing Loans covers all kinds of credit provided to a consumer for the purchase or renovation of private immovable property owed by the consumer or which the consumer intends to buy, provided that the credit is secured by a mortgage on an immovable property or is secured by another form of security customarily used for that purpose. Loans granted for commercial activities are not covered by the Code of Housing Loans.

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## **I. GENERAL INFORMATION THAT MUST BE PROVIDED TO THE CONSUMER**

The initial information about housing loans should include or be accompanied by the following information in the same format as the initial information is itself provided:

### **A. LENDER:**

1. Name and address of the lender;
2. Where appropriate, name and address of the intermediary.

### **B. HOUSING LOAN**

1. Purposes for which the loan may be used;
2. Form of security;
3. Description of the types of housing loans offered with short description of the differences between fixed and variable rate products, including the relative implications each one entails for the consumer;
4. Types of interest rate- fixed, variable, and combinations thereof;
5. An indication of the cost of a typical housing loan for the consumer;
6. A list of related cost elements, such as, administrative costs, insurance costs, legal costs, intermediary costs, stamp duties payable to the Stamp Duty Authority, land registry's fees payable at the Land Registry, etc.;
7. The different options available for reimbursing the credit to the lender (including the number, frequency and the amount of the repayment instalments);
8. Whether there is a possibility of early repayment and if so, on what conditions;
9. Whether a valuation of the immovable property is necessary and, if so, by whom it must be carried out;
10. General information on tax relief relating to housing loan interest or other existing public subsidies available, or details on where one can obtain further information;
11. The duration of the validity of the offer, where relevant;
12. Confirmation that the credit institution subscribes to the Code, and indication that a copy of the Code is available from the credit institution;

## II. EUROPEAN STANDARDISED INFORMATION SHEET

**This standardised information is an integral part of the Voluntary Code of Conduct on pre-contractual information for housing loans, a copy of which can be obtained from your lender.**

Item	Description
<b>Preliminary Observations</b>	<p>“This document does not constitute a legally binding offer. The figures are provided in good faith and are an accurate representation of the offer that the lender may make depending on the prevailing market conditions and based on the information that has been provided. It should be noted, however, that the figures could fluctuate with market conditions. The provision of this information does not oblige the lender to grant credit.”</p>
<b>1. Lender</b>	
<b>2. Description of product</b>	<p>This section should provide a brief but clear description of the product. It should be made clear whether the required security is a mortgage on immovable property or another commonly used security. It should be made clear whether the product on offer is an interest only housing loan (i.e. that it involves servicing the debt with a lump sum payment at the end whilst in the interval the consumer shall have to pay only the interest) or a repayment housing loan (i.e. that it involves paying both the interest and capital over the lifetime of the housing loan). It should be made clear whether the housing loan terms are dependent on the consumer supplying a certain amount of capital (which may be expressed as a percentage of the value of the immovable property). Where the housing loan terms are dependent on a third party guarantee, this should be clearly stated.</p>
<b>3. Nominal rate (type of rate and duration of fixed period should be indicated)</b>	<p>This section should provide information on the key condition of the housing loan, that is to say the interest rate. Where relevant, the description should include clarifications as to how the interest rate will vary including, for example, review periods, lock in periods and relevant charges, collars and caps etc.</p> <p>The description should include:</p> <ul style="list-style-type: none"> <li>- whether or not a variable rate is connected to a particular index; and</li> <li>- provide details of indexation, where applicable.</li> </ul>
<b>4. Annual percentage rate of charge (APRC) based either on national law or on the effective rate, where applicable</b>	<p>Where a national figure for APRC is not set by national legislation, the equivalent effective rate should be used.</p>

<b>5. Amount of credit advanced and currency</b>	
<b>6. Duration of housing loan agreement</b>	
<b>7. Number and frequency of instalments (may vary)</b>	
<b>8. For the repayment of a housing loan (i.e. a housing loan that involves paying both the interest and capital over the lifetime of the housing loan), amount of each instalment (may vary)</b>	
<b>9. For interest only housing loan:</b>	<p>The lenders should provide an indication- real or illustrative- of:</p> <ul style="list-style-type: none"> <li>(a) the amount of each regular interest payment in accordance with the frequency of the instalments (see point 7);</li> <li>(b) the amount of each regular payment towards the repayment vehicle, in accordance with the frequency of the instalment (see point 7).</li> </ul> <p>Where appropriate, a warning should be given that the repayment vehicle may not cover the amount borrowed.</p> <p>If the lender provides the repayment vehicle and has included this in his offer then a notice should make clear whether or not the offer is tied to the consumer's agreement on the repayment vehicle.</p>
<b>10. Additional non-recurring costs, where applicable</b>	<p>A list of initial non-recurring costs which the consumer is expected to pay upon obtaining the housing loan must be provided.</p> <p>Where these costs are under the direct or indirect control of the lender, an estimate of the costs should be provided.</p> <p>Where relevant, it should be mentioned that these costs are to be paid regardless of the outcome of the housing loan application.</p> <p>Such costs might include, for example:</p> <ul style="list-style-type: none"> <li>- administrative costs;</li> <li>- legal fees;</li> <li>- property valuation;</li> <li>- stamp duties, payable to the Stamp Duty Authority;</li> <li>- land registry's fees, payable to the Land Registry.</li> </ul> <p>Where an offer is conditional on the consumer receiving these services from the lender (provided this is permitted by national legislation), this condition should be clearly stated.</p>

<b>11. Additional recurrent costs (not included in point 10)</b>	<p>This list should include, for example:</p> <ul style="list-style-type: none"> <li>- insurance against default on payments (unemployment/death);</li> <li>- fire insurance;</li> <li>- building and contents insurance.</li> </ul> <p>Where an offer would be dependent on the consumer receiving these services from the lender (provided this is permitted in national legislation), this condition should be clearly stated.</p>
<b>12. Early repayment</b>	<p>The lender should provide information relating to:</p> <ul style="list-style-type: none"> <li>- the possibility of and terms for early repayment;</li> <li>- any additional charges.</li> </ul> <p>Where it is not possible to stipulate the additional expenses at this stage, it must be stated that a sum sufficient to cover the lender's costs resulting from the early repayment of the loan shall be payable by the consumer.</p>
<b>13. Internal complaint services</b>	<p>Name, address and telephone number of contact point of relevant service.</p>
<b>14. Illustrative amortisation table</b>	<p>The lender should provide an illustrative and summarised amortisation table which includes, at least:</p> <ul style="list-style-type: none"> <li>- monthly or quarterly instalments (if is the case) for the first year;</li> <li>- the yearly figures over the total duration of the loan.</li> </ul> <p>The table should contain figures on</p> <ul style="list-style-type: none"> <li>- capital reimbursement;</li> <li>- interest reimbursement;</li> <li>- outstanding capital;</li> <li>- amount of each instalment;</li> <li>- total sum of capital and interest.</li> </ul> <p>It should be indicated that the table is illustrative only and a warning must be contained if the housing loan proposed has a variable interest rate.</p>
<b>15. Obligation of the consumer to open a bank account and credit his/her salary therein for the lender's benefit</b>	