

COLLATERAL DATABASE

Introduction

1. The various risks embodied in the management of credit by banking corporations require maintaining an up-to-date database of collateral received and its value.

Managing a database

2. (a) A banking corporation shall maintain a computerized database of all the types of collateral received from its customers to guarantee their indebtedness.
 - (b) In accordance with this section, the database shall include at least the following two:
 - (1) Large customers whose cumulative indebtedness to the banking corporation constitutes 50% or more of the outstanding credit to the public at the banking corporation's responsibility and credit risk on off-balance-sheet items (after deducting the specific provision for doubtful debts), as it appears in note 4d. of the annual financial statement (see Reporting to the Public Directives, page 669-24);
 - (2) Customers whose total indebtedness exceeds NIS 700,000 each. This amount shall be updated annually on the basis of the change in the last-known CPI at the beginning of that month (base CPI, 122.7, June 1995).
 - (c) In addition to the provisions of Section 2(b) above, a banking corporation shall keep a record in the database, for every housing loan (as defined in Proper Conduct of Banking Business Directive no. 451) the loan to value (LTV) ratio and the repayment to income ratio as defined in Sections 14 and 19, respectively, of Reporting to the Banking Supervision Department Directive no. 876 ("Monthly report on housing loans"), and data on the manner of recording the collateral (mortgage, warning note, pledging of contractual rights, other) and the location of

the recording of the collateral (the Lands Registry Office; mortgage registrar; mortgaging company; Israel Land Authority; other).

- (d) Likewise, a banking corporation shall maintain a computerized database of residential homes which have been received as collateral for housing loans (as defined in Directive no. 451). Details of the information which shall be maintained in the computerized database, for each home, are listed in the Appendix to this directive. The information which shall be maintained in the database shall be based on the following sources:

- (1) A “second hand” home—an assessor’s appraisal, to the extent the banking corporation has such a document. A banking corporation which does not have an assessor’s appraisal is not required to obtain an assessor’s appraisal in order to meet the provisions of this directive and may make do with completing the data it has.
- (2) A new home from a contractor—the purchase contract, as well as an assessor’s appraisal if it exists,

With regard to subsections (1) and (2) above, it is clarified that whenever a specific data item, detailed in the Appendix, does not appear in the assessor’s appraisal or in the purchase contract, and is not in the bank’s possession from another source, such item does not need to be maintained in the database.

3. (a) In the database the collateral shall be classified by type; the classification shall include at least the following types:
 - (1) Deposits in the banking corporation;
 - (2) Negotiable securities;
 - (3) Non-negotiable securities;
 - (4) Third-party guarantees: the State, banks;
other;
 - (5) Negotiable documents (notes, post-dated checks, etc.);
 - (6) Fixed lien: real estate;

other property;

(7) Current lien.

In building the database, the banking corporation shall define in advance parameters that will allow the receipt of data on collateral that is characteristic of it, at various cross-sections, e.g., borrower, group of borrowers, industry sector of borrowers, type of collateral.

- (b) With reference to subsection (a)(1), a “deposit” is a deposit in a banking corporation and regarding which the banking corporation has the right to offset or first-order lien in order to guarantee the indebtedness, and there is also a written commitment not to withdraw the deposit until the indebtedness is settled.
4. (a) The database shall be updated on an ongoing basis as regards both the existence and the value of the collateral as regards both its full value and its value as collateral. The date and method of updating should be noted.
- (b) Despite the aforementioned in subsection (a), when a residential apartment serves as collateral for a loan, and the borrower’s business is not building or selling apartments, it is sufficient for the value to be linked to the index of owner-occupied housing published by the Central Bureau of Statistics.

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Appendix

Information on residential housing, as per Section 2(d) of the Directive*:

1. Address: a. City; b. Street; c. House number; d. Entrance number; e. Apartment number
2. Number of block-division-subdivision
3. Property type (apartment in multi-story building/garden apartment/top-floor apartment/duplex/penthouse/cottage/private home/lot)
4. Approximate construction year
5. Number of rooms
6. Floor____out of ____floors in the building
7. Area, gross and net (square meters)
8. Purchase date as per purchase contract (only when financing the purchase of a home)
9. Price, in NIS, as per purchase contract (only when financing the purchase of a home)
10. Assessed value in NIS (in the case of a lot—assessed value of the lot prior to construction)
11. Date of assessment of the value
12. Elevator (yes/no)
13. Parking (yes/no)
14. Porch (yes/no)
15. Private garden (yes/no)
16. Storage room (yes/no)
17. Secured room (yes/no)

For transactions involving new homes from the contractor, in which the banking corporation does not have an assessor's appraisal, data items 1–9 are enough. For a transaction to purchase a lot, data items 1–3 and 7–11 are enough.

ONLY THE HEBREW VERSION IS BINDING

Updates

Circular 06 no.	Version	Details	Date
1792	1	Original directive	26/12/95
---	2	Updated version of Proper Banking Conduct file	12/95
2391	3	Update	5/8/13