

**Bank of Israel**

Banking Supervision Department



Jerusalem, August 18, 2009

To:  
**The banks**

**Re: Adjustable rate mortgage loans**

In the second half of 2009, the extent of performance of adjustable-rate mortgage loans increased considerably.

In this state of affairs, as you know, the monthly repayment of borrowers who took these loans may increase at times when the domestic interest rate rises. The increase in monthly repayment may, in certain cases, make it difficult for some borrowers to continue making their monthly loan payments regularly, especially in cases where the monthly repayment accounts for a large share of the borrower's current income.

Consequently, we ask you to apply due caution in marketing and issuing adjustable rate mortgage loans, with emphasis on attention to the ratio of monthly payback to borrower's current income at a higher interest rate than that in effect at the time the loan is given.

We also ask you to take all necessary action vis-à-vis customers who accept such loans, in the appropriate cases, at your discretion, and in accordance with the case at hand, to make sure they are aware of the possibility of a future increase in the interest rates that will apply to their loans.

Respectfully,

Rony Hizkiyahu  
Supervisor of Banks