



Jerusalem, October 28, 2010
10LM0781
REG10.148.013

To: **The Banks - attn. Chief Executive Officer**

Re: Leveraged Adjustable Rate Mortgage Loans

Introduction

1. Pursuant to my letters of August 18, 2009, concerning "adjustable rate mortgage loans"¹, and of July 11, 2010, concerning "developments in risks of housing loans"², and due to the possible implications of the continuation of the trend described in said letters, I believe it is proper to determine the following:

Definitions:

2. **"Adjustable rate housing loan"** - a housing loan, or a portion thereof, in which the interest rate may change in mid-term.
3. **"Loan-to-value (LTV)"** - as defined in Section 14 of Directive 888A on reportage to the Banking Supervision Department, concerning "Mortgage Loans".

The new guidelines:

4. In respect of housing loans that meet the two following criteria:
 - (a) LTV exceeding 60 percent;
 - (b) Ratio of the adjustable-rate portion of the mortgage loan to the total mortgage loan issued to the borrower equals 25 percent or more.

The risk weight (in the sense of this term in Proper Conduct of Banking Business - Directives 203) of the adjustable-rate portion of the loan shall be 100 percent (instead of 35 percent or 75 percent, depending on loan characteristics).

¹ http://www.bankisrael.gov.il/deptdata/pikuah/lett_sup/200937.pdf.

² http://www.bankisrael.gov.il/deptdata/pikuah/lett_sup/201016.pdf.

5. The foregoing shall not apply to the following:
 - 5.1 mortgage loans in which loan value approved for borrower, including sums not yet withdrawn, is under NIS 800,000;
 - 5.2 mortgage loans issued to borrowers who meet the criteria, of the Ministry of Construction and Housing, for housing assistance from the state.
6. The guidelines in this letter shall apply to loans issued on or after October 26, 2010.

Respectfully,

Rony Hizkiyahu
Supervisor of Banks

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