



November 13, 2018

Circular Number C-06-2569

To:

The banking corporations and credit card companies

Issue: Procedures for Extending Housing Loans
(Proper Conduct of Banking Business Directive no. 451)

Introduction

1. Recently, the need arose to improve various processes in the area of housing loans. This includes the need to improve the process of carrying out property appraisals, while providing the customer with the possibility of conducting a property appraisal even at an early stage of purchasing the asset. To that end, it was established that the banking corporation shall include in the Approval in Principle document the request to conduct an appraisal, while detailing the list of appraisers with whom the bank works and that operate in the geographical region in which the asset is located.
2. In addition, it was established that a banking corporation shall not unreasonably refuse to use a property appraisal given at another banking corporation's request in order to extend a housing loan, provided that among other things the appraiser was included in the list of appraisers detailed in the Approval in Principle document given to the customer as noted, and that not more than 90 days have passed since the date of the property appraisal.
3. Also established within the framework of the amendment to the directive is a requirement to present to a customer in an updated manner, by Internet or application, the information required for examining the worthwhileness of early repayment of the housing loan.
4. In addition, the need arose to establish a mechanism that will make it easier for the borrower to update the amounts of insurance when making an early repayment of a housing loan. To that end, it was established that when prepaying, the banking corporation shall submit to the borrower a designated approval, addressed to the insurance company, which includes the banking corporation's agreement to reduce the amount of insurance or to cancel the pledge in its favor, as relevant.
5. After consulting with the Advisory Committee on Banking Business Affairs, and with the consent of the Governor, I have amended this Directive.



The updates to the directive

6. Following Section 4c(b)(7) shall be:
 - (8) The contact regarding appraisal, with a detailed listing of the appraisers with whom the banking corporation works for appraising properties in order to receive housing loans, and that operate in the geographical region in which the property is located.

7. In Section 9, after Subsection (d) shall be:
 - (e) The banking corporation shall not unreasonably refuse a borrower's request to use a property appraisal presented by the borrower, provided that it was given at the request of another banking corporation for the purpose of extending a housing loan, and that the appraiser is included in the list of appraisers detailed in the contact to conduct an appraisal that was given to the borrower, as noted in Section 4c(b)(8), and that 90 days have not passed from the date of the property appraisal. The banking corporation may require that the appraiser transmit the appraisal directly to it, and it may require adjustments to be made in the appraisal.

Explanation

In order to enable a borrower to make use of an appraiser's professional services for appraising a property at early stages of the purchase process, and to enable the borrower to choose an appraiser from a list of appraisers working for the banking corporation, it was established that the banking corporations are to include, already in the Approval in Principle, a referral to an appraisal, with a listing of the relevant appraisers. It was also established that the banking corporation is not to unreasonably refuse a borrower's request to use an appraisal carried out at the request of another banking corporation. This is in order to enable a borrower who began the process of taking out a residential loan with one banking corporation to approach another banking corporation as well, using the appraisal already provided to the customer. Examples of a reasonable refusal to use the appraisal provided by the borrower are an appraisal that was carried out not for the purpose of a housing loan, an appraisal that in the banking corporation's view is missing a material detail, etc.

8. The title of Section 15a shall be deleted and in its place shall be, "Transferring Information for Examining the Worthwhileness of Prepayment".

9. Following Section 15a(c) shall be:



(d) A banking corporation shall present, on its website or via application, updated information regarding the details listed in Subsection (a) for every component of the loan.

Explanation

In view of the importance of presenting updated data regarding the loan in a manner that will be accessible to the borrower signed on the agreement to provide e-banking services, it was established that the updated data shall be presented on the banking corporation's website or via application.

10. In Section 15c, the paragraph that begins with the words “after final repayment...”, shall be denoted (a2), and before it shall be: (a1) After carrying out an early repayment, the banking corporation shall notify the borrower that he can contact the insurance agent or external insurance agency, as relevant, with a request to reduce the amount of the insurance or to cancel the pledge existing in the banking corporation's favor, per the case. The banking corporation shall send the borrower a designated approval, addressed to the insurance company, including the banking corporation's consent to reducing the amount of the insurance or cancelling the pledge existing in the banking corporation's favor. In a case of partial repayment, the banking corporation shall note the amount of the loan balance that has not yet been repaid.

Explanation

In order to enhance the awareness of customers who carried out full or partial loan prepayment of their option to reduce the amount of insurance, or to cancel the pledge existing in favor of the banking corporation, per the case, and to make it easier for them to actually make such change, a requirement was added for the banking corporation to inform the borrower making the prepayment of the possibility of contacting the insurance agent or the external insurance company with a request to reduce the amount of insurance or to cancel the pledge, per the case, and to provide the borrower with a designated approval including the banking corporation's consent to reducing the amount of the insurance or cancelling the pledge existing in the banking corporation's favor.

Effective date

11. This amendment shall go into effect three months after its publication.



File update

12. Attached please find update pages to the Proper Conduct of Banking Business Directive file. Following are the update pages:

Remove page

(11/17) [18] 451-1-22

Insert page

(11/18) [19] 451-1-23

Sincerely,

Dr. Hedva Ber
Supervisor of Banks