



Information Booklet for KBC Bank Ireland's Mortgage Loan Restructure Process



Dealing with loan repayment difficulties

At KBC Bank Ireland plc (“KBCI”), we are committed to working with customers who are experiencing financial difficulty in a positive manner.

If your financial situation has changed recently or you are concerned about your finances, we would encourage you to contact us as soon as possible. The earlier we are made aware of the situation, the sooner we can work together to try to find a solution.

How KBC Bank Ireland can help you

KBCI has a five step process to help you if you fall behind in your mortgage repayments or if you are at risk of falling behind. This is called our **Mortgage Loan Restructure Process** and will apply if you or your business falls within the definition of Small And Medium Enterprise (“SME”) for example; if you have two or more Buy to Lets. Please refer to the glossary of terms.

Step 1 Contact us immediately

Step 2 Complete a Standard Financial Statement

Step 3 Assessment of your situation

Step 4 Seeking a Resolution

Step 5 Appealing a decision

Step 1: Contact us immediately

If you are having difficulties meeting your mortgage repayments or think you will in the near future, please contact the Arrears Support Unit (A.S.U.) on 1850 930 235. The A.S.U will be your designated point of contact.

The team is here to help you and will work with you to try to find a suitable solution to assist you in meeting your loan repayments.

In order to achieve this, it will be necessary for us to keep in touch with you. We would ask that you ensure the lines of communication are kept open by providing us with current contact details, promptly returning our phone calls and responding to our correspondence in a timely manner.

We wish to stress the importance of active engagement and co-operation between you, as the borrower, and KBCI, as the lender, in dealing with, or averting a financial difficulties situation.

Step 2: Complete a Standard Financial Statement

The following steps will assist you in the process of dealing with financial difficulties.

When you contact us, we will ask you to complete a Standard Financial Statement (“SFS”) and provide details of your current circumstances. We will also ask for supporting documentation in respect of you/any borrower or any guarantor where appropriate which may include;

- Fully completed and signed Standard Financial Statement for each party on the loan (incl. guarantors)
- 3 months recent bank statements for each party on the loan (Originals or copies of originals. Internet statements are also accepted where the customer’s name is included as part of the statement)
- Income verification for each party on the loan where evidence of income is not present on the bank statements. Where each party’s income is not present on the bank statements provided, one of the following is also required (as appropriate):
 - 2 consecutive pay slips (most recent payslips)
 - Confirmation of social welfare payments (payment slip or letter)
 - P60
 - Revenue Commissioners Notice of Assessment (for self employed customers).

Given the individual nature of lending, there may also be additional documentation required specific to your circumstances. You may wish to seek independent advice to assist you with completing the SFS.

The credit process will begin when all the above information has been supplied to the satisfaction of KBCI. The credit approval process typically takes 15 working days from receipt of all of the above information.

Step 3: Assessment of your situation

We will use the information you provide us to allow an Arrears Support Unit SME staff member to assess your individual situation. In doing so, we will give careful consideration to:

- The current circumstances of your business.
- Your personal circumstances.
- Your overall personal debt.
- The information provided in the SFS and supporting documentation.
- Your current ability to make repayments.
- Your previous payment history; and
- Any other relevant information.

Step 4: Seeking a Resolution

We have a number of alternative repayment arrangements that we can look at, depending on your circumstances. These arrangements include:

1. Paying interest and part of the normal capital payment for a specified time.
2. Paying interest only for a specified time.
3. Extending your mortgage over a longer term, which will reduce the amount of your monthly repayment.
4. Capitalising arrears – adding arrears to the loan and repaying them over an agreed period.
5. Deferring part or all of your mortgage repayment for a specified period of time.
6. Changing the type of your mortgage, for example from a fixed rate to a variable rate. It is important to note that a fixed rate break funding fee may apply. (See page 6 for an explanation of the break funding fee)

Other resolutions options may become available from time to time. Please contact us directly for details of all options currently available.

Where an amended repayment arrangement is approved, we will issue to you a Letter of Variation outlining our proposed repayment arrangement. Please contact us if you have any queries and we will be happy to discuss these with you. If you are happy with the proposal, please sign and return the revised facility letter.

Please note that while some of these options will decrease your repayment in the short term, they will cause the overall cost of your mortgage to increase. It is important that you fully understand the implications of any new arrangement before you go ahead with it and we recommend that you take independent advice before entering into the arrangement.

If one of these options is deemed appropriate and put in place, we will write to you at least every 12 months to offer a review meeting.

It may not be possible to reach a resolution in all cases, and in such cases we will write to you with the reasons for our decision.

We cannot ignore the fact that you may be in arrears, and there may be arrears charges applied to your account - we will not write off your arrears and we will not ignore broken arrangements, but we can help you deal with your financial challenges.

Should your financial circumstances improve, you may decide to accelerate your payments to repay your mortgage over a shorter term to make lump sum payments (if you are on a variable rate). Options and arrangements made today do not necessarily have to stay in place for the remainder of the life of your mortgage.

Step 5: Appealing a decision

You may submit an appeal to us in relation to:

- A special term or condition required by KBCI in order to provide an alternative arrangement
- The refusal of KBCI to offer an alternative arrangement
- Being classified as Not Co-operating.

This appeal must be made in writing to the Head of A.S.U. within 20 working days of the date of notification of our decision. KBCI will acknowledge your appeal within 5 working days of receipt of the appeal.

KBCI will make a decision on an appeal within 15 working days of receipt of the appeal. The outcome of an appeal will be communicated to you within 5 working days of a decision being reached.

Where KBCI have not reached a decision on an appeal within the 15 working day timeframe, you will be notified of how long it will take to reach a decision, and of the reason(s) why it will take longer than 15 working days to reach a decision.

Important Points to Consider

a) Provision of Information by a borrower

- KBCI would ask you to provide the required information in a timely fashion in order to assist KBCI with the above process.
- If you do not work with us to try and resolve your financial difficulties we may be forced to commence legal action.
- If your property is repossessed and the proceeds of same do not redeem the mortgage in full, you will remain liable for any outstanding debt, including any accrued interest, charges, legal, selling and other related costs if this is the case.

b) Impact of financial difficulties on a borrower's credit rating

It is also important to note we may submit details of your payment history to the Irish Credit Bureau at the end of each month and these details remain on record for a period of five years.

If your loan remains in default it may have an adverse effect on any other related facilities you may have with KBCI.

c) Applicable Fees & Charges as a result of arrears

Should the loan remain in default you may incur the following charges.

- a EUR 19.00 charge for processing each unpaid instalment
- a call-out charge of EUR 31.50 per customer visit
- a EUR 12.70 charge for each reminder letter
- a EUR 317.00 administrative charge for the issuance of legal proceedings
- the costs of any legal proceedings taken to recover the arrears

Default Interest

Compound interest is charged on arrears of payment and will attract the same interest rate applying to the loan advanced. To avoid paying such interest the arrears must be cleared in full. If you have more than one facility with KBCI, you should be aware that while you continue to default with one loan facility you may also be in default under any other facility with KBCI even though the other facilities are not in arrears.

Break-funding Fee

If during the Fixed Rate period, the applicant redeems in whole or in part or converts the Loan into a variable interest rate or to another fixed rate loan, on that date (the “switching/redemption date”), a break funding fee will be payable to the Lender. If, at the switching/redemption date the Wholesale Rate is higher than the Wholesale Rate at the date the existing fixed rate applying to the Loan was set, no break funding fee arises. If, however, at the switching/redemption date the Wholesale Rate is lower than the Wholesale Rate at the date the existing fixed rate applying to the Loan was set, then a break funding fee will be chargeable. The break funding fee will be calculated by reference to the following formula:

$B = (W-M) \times T / 12 \times A$ where:

B=the Break Funding Fee.

W=the Wholesale Rate prevailing at the date of the existing fixed rate applying to the loan was set.

M=the Wholesale Rate prevailing at the switching/redemption rate for the unexpired time period of the Fixed Rate period.

T=Period of time in months to the end of the Fixed Rate period.

A=Principal amount which is subject to the existing fixed rate and which is being switched or redeemed.

“Wholesale Rate” means the rate per cent per annum which the Lender determines to be the market rate applying to an appropriate interest rate swap for the relevant time period. The following are examples of the calculation of the break funding fee:

A) Where rate increases over the term of the loan:

Wholesale rate at the date the existing fixed interest rate applying to the loan was set (W): 7%

Wholesale rate at switching/redemption date (M): 8%

Break funding rate: 0%

B) Where Wholesale Rate decreases over the term of the loan:

Wholesale rate at the date the existing fixed interest rate applying to the loan was set (W): 8%

Wholesale rate at switching/redemption date (M) 7% Break funding rate: 1%

Unexpired Fixed Rate period: Six months

Break funding fee (per €1,000 loan amount): €5

Break funding fee = $(8\% - 7\%) \times 6 / 12 \times 1000 = €5.00$ per €1,000

A processing fee of €38 may be applied to your mortgage account for this amendment. You retain the right to pay this fee to avoid interest accruing thereon.

d) Implications of being deemed as Not Co-Operating

Please note that failure to make a full and truthful disclosure of the information required by KBCI to assess your financial situation within the specified timeframe could lead to you being classified as not co-operating. If you are deemed as not co-operating KBCI will not be in a position to offer an alternative arrangement, and can also result in one or more of the following actions being taken by KBCI:

- The appointment of a Receiver;
- The commencement of legal proceedings to obtain possession of the property
- The commencement of legal proceedings against you personally to recover the full amounts due.

Where security is realised, you will remain liable for any outstanding debt.

e) Third Party Advisors

If you wish to appoint a third party advisor, they may accompany you in our discussions, whether these discussions are face to face or not.

f) Complaints Process

Complaints can be submitted by contacting KBCI directly by phone on 01-6646000 or by outlining the nature of your complaint to us in writing, addressing it to:

KBC Bank Ireland
Complaints and Resolutions Manager
Sandwith Street
Dublin 2

Complaints received by KBCI are fully investigated. Where a complaint is not resolved satisfactorily within five business days, a written response will be provided. While our investigation of a complaint is ongoing we will provide regular written updates.

KBCI are required to attempt to investigate and resolve a complaint within 40 business days of receipt.

In the event that you are dissatisfied with the outcome of our investigation of your complaint you are entitled to refer your complaint to the Financial Services Ombudsman at the contact details provided below.

Useful Contacts & Information

Arrears

A payment or part of a payment due in accordance with a credit facility agreement or alternative arrangement which has not been paid by the borrower by the scheduled due date for payment and, in the case of an overdraft facility, where the borrower's overdraft limit is exceeded for 30 consecutive days, and "in arrears" means a situation in which arrears have arisen;

Financial Difficulties

Financial difficulties means a situation in which one or more of the following apply to a credit facility agreement or alternative arrangement:

- a) the borrower is in arrears under the credit facility agreement or alternative arrangement for 3 consecutive months;
- b) where the credit facility agreement is an overdraft facility, the approved limit on the overdraft is exceeded for 90 consecutive days;
- c) The regulated entity has, following an assessment of the borrower's circumstances determined that they are in financial difficulties

The A.S.U is the designated point of contact for borrowers in financial difficulties.

Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium-Sized Enterprises) Regulations 2015 ("the SME Regulations")

The Regulations set out the processes regulated entities are required to adopt in facilitating access to credit for SMEs. The Regulations recognise that for SMEs in financial difficulties, each SME needs to be considered on a case by case basis. There are specific sections of the Regulations which set out the policies and procedures which lenders should have in place for dealing with borrowers in financial difficulties. The Regulations are accessible via www.centralbank.ie.

Fixed Rate

Under a fixed rate mortgage, the interest rate remains constant throughout an agreed term – irrespective of changes in the base rate, such as the European Central Bank (ECB) rate and the borrower repays the same amount each month during the term. A borrower may switch from a fixed rate mortgage but a charge may apply.

Not Co-Operating

Not Co-Operating means a situation in which –

- a) the borrower has failed to make a full and truthful disclosure to the lender of the information required by the lender to assess the borrower's financial situation, within the timeframe specified by the lender
- b) the borrower has been issued with a warning letter that they may be classified as not co-operating if they do not perform specific actions, and
- c) the borrower has not performed specific actions to allow the lender to assess their financial situation, within the timeframe specified by the lender in the warning letter.

Small and medium enterprises (SMEs)

The SME regulations define "Micro, Small and Medium-Sized enterprises" as being an enterprise which employs fewer than 250 persons and which has either or both of the following:

- a) an annual turnover not exceeding €50 million;
- b) an annual balance sheet total not exceeding €43 million

"Micro and Small enterprise" means an enterprise which employs fewer than 50 persons and which has either or both of the following:

- a) an annual turnover which does not exceed €10 million
- b) an annual balance sheet total which does not exceed €10 million

A "Medium-Sized enterprise" means a 'Micro, Small and Medium-Sized enterprise' which is not a 'Micro and Small enterprise'

Mortgage

A mortgage describes a loan provided to a borrower by a lender, for which a legal claim against the property acts as security for the loan.

Term

The period for which the loan was taken out.

Variable Rate

Variable rates go up and down in response to a variety of factors including changes in the ECB's base rate, lenders' costs of funding and other market forces. This means that the amount the borrower pays goes up and down with the rate changes.

Working Day

Working Day means any day except Saturday, Sunday, bank holidays and public holidays in Ireland or any other EU Member State.



