



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



Dealing with loan repayment difficulties

At KBC Bank Ireland plc (“KBCI”), we understand that the current economic environment presents challenges for many of our customers. We would like to assure you that 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 endeavour 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”). 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 our Customer Support Team on 1850 930 650 or through our main reception line at 01 6646 000.

If you have already fallen into arrears, please contact the Arrears Support Unit (A.S.U.) on 1850 930 235.

These teams are here to help you and will work with you to endeavour 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 customers 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 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 the KBCI Credit Committee approve an amended repayment arrangement, 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 6 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.

Mortgages are, by their nature, long term loans. 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:

- Our decision on your loan repayment arrangement under our Mortgage Loan Restructure Process.

This appeal must be made in writing to the Head of A.S.U. within 10 working days of the receipt of our decision notification.

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 126.97 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:

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

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.

Useful Contacts & Information

KBC Bank Ireland Arrears Support Unit

Please contact our Arrears Support Unit on 1850 930 235 if your financial situation has changed recently or you are concerned about your finances.

Central Bank of Ireland

The Central Bank's website includes the Code of Conduct for Business Lending to Small and Medium Size Enterprises. (Jan 2012).

Helpline: 1890 777 777, www.centralbank.ie

Financial Services Ombudsman

The Financial Services Ombudsman is a statutory officer who deals independently with unresolved complaints from consumers about their individual dealings with all financial service providers.

Financial Services Ombudsman's Bureau,
3rd Floor Lincoln House, Lincoln Place, Dublin 2.

Lo Call: 1890 882 090 Telephone: 01 6620899

Email: enquiries@financialombudsman.ie

Website: www.financialombudsman.ie

Glossary Of Terms

Arrears

'Arrears' arise where a borrower has not made a full repayment, or only makes a partial repayment on a credit facility, as per the terms of the credit facility, by the scheduled date.

Code of Conduct for Business Lending to Small and Medium Enterprises (January 2012)

This Code sets out the processes regulated entities are required to adopt in facilitating access to credit for SMEs. The Code recognises that for SMEs in financial difficulties, each SME needs to be considered on a case by case basis. The Financial Difficulties section of the Code sets out the policies and procedures which lenders should have in place for dealing with borrowers in financial difficulties.

Financial Difficulties

A borrower must be classified as in financial difficulty where the credit facility of a borrower is in arrears for three consecutive months.

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.

Small and medium enterprises (SMEs)

‘Small and medium enterprises’ and ‘SMEs’ are as defined in European Commission recommendation 2003/361/EC which categorises SMEs as “enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million and shall include ‘smaller enterprises’”.

‘Smaller enterprises’ is the following sub-category of small and medium enterprises:

- a) a natural or legal person or group of natural or legal persons, but not an incorporated body with an annual turnover in excess of €3 million in the previous financial year, acting within their business, trade or profession (for the avoidance of doubt a group of persons includes partnerships and other unincorporated bodies such as clubs, charities and trusts, not consisting entirely of bodies corporate) or
- b) incorporated bodies having an annual turnover of €3 million or less in the previous financial year (provided that such body shall not be a member of a group of companies having a combined turnover greater than the said €3 million);

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.

www.kbc.ie

KBC Bank Ireland plc is regulated by the Central Bank of Ireland

