

# Managing your Mortgage in the Current Climate



## KBC Bank Ireland's Guide for our Customers



**It makes sense to talk.**

**I can't meet**

**my repayments**

**are now manageable.**

# Welcome

## Why we wrote this guide

Now more than ever, proper financial management is an important part of life. At KBC Bank Ireland, we've spoken to our customers and we understand the challenges that the current economic environment presents.

Often those experiencing financial difficulties feel trapped, afraid of what the future might bring. Even those of us who feel financially secure can feel uncertain. If you are experiencing financial difficulty or if you are in arrears with your mortgage, it is important to know the options that are open to you.

## The Roadmap to Recovery

Solutions to many of these problems can be found, and by finding them together we can get there quicker to ensure the best solution for you. As a mortgage account holder, you obviously don't want to go into arrears and put your home at risk. As your Bank, we want to help avoid this happening and ensure that you remain secure in your home.

To ensure that present worries don't become future problems, we want to help you to understand the steps you should take and who you should contact to manage your mortgage repayments.

That is why we have developed this guide to help you find a roadmap to recovery. Our goal at all times is to find you a workable solution to meet your concerns. We hope that this guide gives you the confidence to take action and contact us. In return, we promise to do everything we possibly can to try to find a solution that meets your current and future needs.

To all our customers, we have two important messages that we wish to convey.

**1. KBC Bank Ireland is here to help.**

**2. If you find yourself in financial difficulty, please talk to us sooner rather than later on 1850 930 650.**

**This guide is divided into six sections to enable you to read the one that most concerns you.**

# Welcome

What you will find inside this guide

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## Section 1

# Understanding Debt

### What is a mortgage?

Most of us have mortgage facilities in place to finance the cost of our homes. A mortgage is a long-term debt that is secured against the property you purchased.

In most cases, payments on a mortgage are due on a monthly basis. As a mortgage is called a secure debt, the property itself is secured against the loan and therefore, it is in both the interests of the borrower and the lender that the debt is paid on time.

Most repayments are capital and interest repayments. This means that each month you are paying off a portion of your capital. The monthly repayment includes an interest element which is charged at the rate applicable and may change depending on whether you have a fixed or variable rate. Some borrowers elect to pay interest only for a period of time. This means that the original amount borrowed does not reduce.

When a repayment is not made in full by the due date, the mortgage is then deemed to have gone into 'arrears'.

Alongside a mortgage, you can also have a number of other loan or credit facilities. Examples of these can be credit card debt, credit union loans, or a personal loan. Some debt is termed as secured (e.g. a property mortgage or a car lease) and some debt is unsecured (e.g. a personal loan).

At KBC Bank Ireland, we want to do everything we can to help any of our customers who are worried about falling behind with their mortgage repayments or who are currently in arrears.

**For further information on how KBC Bank Ireland works to assist its customers please call our Arrears Support Unit on 1850 930 650 or visit [www.kbc.ie](http://www.kbc.ie)**

## Section 1

# Understanding Debt

### Recognising when you are in financial difficulty

We understand that financial difficulties can happen to people from all walks of life, often unexpectedly and for the first time.

If you are facing such financial difficulties, it is important to know at the outset what your options are, so that you can resolve the situation as quickly as possible.

Here are some of the early warning signs that you may be facing financial difficulty:

- Your earnings have decreased - your hours or monthly salary has been cut
- You are occasionally late making payments on bills or skipping them completely
- Your salary does not clear your overdraft
- You borrow money to pay off other debts
- You have been denied credit facilities
- You don't know how much debt you have
- You pay the minimum balance off your credit cards each month
- You have little or no savings

**“Arrears” covers many different scenarios - the key to finding a solution is in understanding the extent of the problem and what your income and expenditure is each month.**

**For further information on how KBC Bank Ireland works to assist its customers please call our Arrears Support Unit on 1850 930 650 or visit [www.kbc.ie](http://www.kbc.ie)**

## Section 1

# Understanding Debt

### Budgeting Tools - Getting a full picture of your finances

The easiest way to see where you stand financially is to write down all the money you have coming in and going out each month.

There are a number of agencies that are available to help which include the **Money Advice and Budgeting Service (MABS)** and the **National Consumer Agency (NCA)**.

Both agencies are helpful sources of assistance and provide budgeting tools.

- **MABS** have a 'Self Help' Guide to assist you if you are in arrears and they also have budgeting tools to help you assess your situation. These are available by visiting [www.mabs.ie](http://www.mabs.ie)
- The **NCA** have developed a useful tool to assist you in getting an accurate picture of your spending habits. This is available online by visiting [www.economiser.ie](http://www.economiser.ie)

This tool asks you to complete some quick profiling questions and input your spending in one or more of the following areas:

- Groceries
- Energy
- TV and Telecoms
- Mobile Phones
- Motoring

The NCA also provides a useful Budget Planner that helps you to work out where you are spending your money and compares this with your income.

Visit [www.nca.ie/nca/budget-planner](http://www.nca.ie/nca/budget-planner) to access this guide.

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## Section 1

# Understanding Debt

### Knowing what to do

Remember, the best way to find a solution is knowing where to start. **And the first thing you should do is talk to us.** We encourage you to do this no matter what your circumstances. In all cases, we will work with you to try and find a roadmap to recovery.

Our goal is always to reach a solution that is mutually acceptable. Below is a brief summary of some solutions which may be considered.

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, to reduce your monthly repayment.
4. Capitalising arrears: adding arrears to the loan & repaying them over an agreed period.
5. Deferring part or all of your mortgage repayments for a specified period of time.
6. Changing your type of 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).

We have a dedicated team available to call to your home if you would prefer the privacy of such a meeting. We also have offices in Dublin, Cork, Galway, Limerick and Belfast if you would prefer to make an appointment and come in to see us.

Each individual case is different and in certain circumstances it is better to hold a meeting face-to-face to discuss your financial situation.

Either way we will ensure that you understand the proposed solution fully and give you the time to make an informed decision.

There are also a number of external and helpful advice agencies to work with you. A full list of these can be found at the back of this guide. (We always recommend that you seek independent advice before you make any alteration to your mortgage arrangements).

**For further information on how KBC Bank Ireland works to assist its customers please call our Arrears Support Unit on 1850 930 650 or visit [www.kbc.ie](http://www.kbc.ie)**



## Section 2

# Keeping your Mortgage on Track

### How KBC Bank Ireland can provide assistance

It is very important that you contact us if you are experiencing financial difficulties or if you are in arrears with your mortgage. By doing so, you are taking the first step to help us resolve the issues you are facing.

Our objective is to work with you to find a roadmap to recovery.

It is never too late to engage with us to discuss your difficulties or your arrears. We are always ready to discuss your options.

### Our five step mortgage resolution process

#### Step 1. Initial Contact

You will be put in touch with a member of our Arrears Support Unit. They will listen carefully to your situation and talk to you about the KBC Bank Ireland **Mortgage Arrears Resolution Process** (MARP).

#### Step 2. Complete a Standard Financial Statement

We will ask you to complete and return a **Standard Financial Statement** (SFS).

This is a vital part of the process to get you back on track, and much like your mortgage application, we will need some important details about your income and expenditure.

We will be unable to assess the appropriateness of an alternative repayment arrangement for you until we complete this step.

You can download a copy of our Standard Financial Statement online at [www.kbc.ie](http://www.kbc.ie) or by calling a member of our Arrears Support Unit on 1850 930 650.

We are very happy to assist you to complete the SFS. We have a guide available and also online assistance through our video guides at [www.kbc.ie](http://www.kbc.ie)

**For further information on how KBC Bank Ireland works to assist its customers please call our Arrears Support Unit on 1850 930 650 or visit [www.kbc.ie](http://www.kbc.ie)**

## Section 2

# Keeping your Mortgage on Track

## Step 2. Standard Financial Statement (Continued)

We will require you to return the Standard Financial Statement with the following supporting documentation:

### Enclose 3 Months Bank Statements.

Originals or Copies of Originals will be accepted. Internet statements are accepted where your name is included as part of the statement.

**N.B. Please also ensure you include one of the following where your income is not evident on the bank statements provided:**

### Enclose Evidence of Income.

- 2 Consecutive Payslips (most recent payslips)
- or
- Confirmation of Social Welfare payments (payment slip or letter)
- or
- P60 Revenue Commissioners Notice of Assessment (for self employed customers).

**Remember we are here to help at every stage, so if you are worried or concerned about the SFS, please call us immediately.**

## Video Guide

Our video guides will assist you in completing the SFS online. Visit [www.kbc.ie](http://www.kbc.ie) to access these guides. These guides take you through each stage of completing the SFS. They provide you with assistance to ensure the form is completed fully and returned with the correct documentation to enable us to proceed to the next step.

Once we receive the Standard Financial Statement with the above documentation, we will contact you within 5 working days.

**For further information on how KBC Bank Ireland works to assist its customers please call our Arrears Support Unit on 1850 930 650 or visit [www.kbc.ie](http://www.kbc.ie)**

## Section 2

# Keeping your Mortgage on Track

### Step 3. Assessment of your situation

We will use the information you provide on the Standard Financial Statement to assess your individual situation. In doing so, we will give careful consideration to:

- Your current personal circumstances
- Your overall indebtedness
- The information provided in the SFS
- Your current repayment capacity; AND
- Your previous payment history

Following this assessment, a decision on your request will be provided within 2-5 working days.

### Step 4. Seeking a Resolution

As mentioned earlier, there may be a number of suitable options available to you. These can 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, to reduce your monthly repayments.
4. Capitalising arrears: adding arrears to the loan & repaying them over an agreed period.
5. Deferring part or all of your mortgage repayment for a specified period of time.
6. Changing your type of 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).

When an amended repayment arrangement is approved, you will receive a **Letter(s) of Variation**. This is the document that outlines the terms of your amended repayment arrangement.

If you are satisfied with the Letter(s) of Variation, it should be signed by all borrowers and returned to KBC Bank Ireland for your amended repayment arrangement to take effect. If the loan is supported by the guarantee of a 3rd party, it must be signed and returned by the guarantor.

On receipt of the signed Letter(s) of Variation, we will implement your amended repayment arrangement on our system and your monthly repayment will be adjusted to reflect the terms of your amended repayment arrangement.

Under our Mortgage Arrears Resolution Process, you will not be required to change from an existing tracker rate to another mortgage rate as part of any alternative arrangement.

## Section 2

# Keeping your Mortgage on Track

### Step 5. Appealing a Decision

**You may submit an appeal to us in writing in relation to your primary residence regarding:**

1. A decision made by our **Arrears Support Unit**.
2. Our treatment of your case under our Mortgage Arrears Resolution Process.
3. Our Compliance with the requirements of the Code of Conduct on Mortgage Arrears.

The appeal may be made in writing to the KBC Bank Ireland Appeals Board (see 'Useful Contacts and Information') within 21 days of receipt of our decision notification.

If you are not satisfied with the decision of the KBC Bank Ireland Appeals Board, you have the right to contact the Financial Services Ombudsman (see 'Other Sources of Assistance').

**We're struggling with**

**our mortgage**

**has been restructured.**

## Section 3

# Importance of Controlling Debt

**As always, if you are facing financial difficulty or if you are in arrears, the most important thing to do is to talk to us.**

This is often difficult for people to do but it is never too late to engage with us. We are always willing to work with you to find a mutually acceptable solution.

KBC Bank Ireland is committed to making every effort to agree to an alternative repayment schedule wherever possible.

## Consequences of Mortgage Arrears

If it is clear that an acceptable solution cannot be found and that you either cannot or will not repay your debt, we do reserve the right to commence legal proceedings.

Legal proceedings are a last resort and even then, during the course of these proceedings, we will continue to make every effort to achieve a more acceptable solution.

If the bank does commence legal proceedings, it is vitally important that you do the following:

- Seek independent financial and legal advice.
- Fully understand that you may lose possession of your home as a result of these proceedings.

In the unfortunate eventuality that repossession occurs or you sell your property, you are responsible for repayments on any outstanding balance that remains on the mortgage account after the sale.

**For further information on how KBC Bank Ireland works to assist its customers please call our Arrears Support Unit on 1850 930 650 or visit [www.kbc.ie](http://www.kbc.ie)**

## Section 4

# Frequently asked questions

### Q. Can you explain the terminology used for alternative repayment arrangements?

#### Capitalisation

- This is when the arrears balance is added to the principal balance of the loan and repaid over the remaining term.
- Your normal monthly repayments will increase, as you now have a higher capital amount to repay over the same original term.
- However, your arrears balance will be cleared and your Credit Rating will revert back to normal, but the listing remains there for five years.
- You can, at any time, make a lump sum repayment to clear the capitalised arrears amount from your loan balance, and this will reduce the cost of credit as quoted in your **Letter of Variation** (LOV).

#### Interest Only

- Your normal monthly mortgage repayment is made up of interest and capital amounts.
- The capital amount is used to reduce the original amount that you borrowed from KBC Bank Ireland.
- When your account is placed on Interest Only, no payment is made against the capital balance.
- When the Interest Only period ends, your repayments are adjusted to ensure that the outstanding capital amount is repaid over the remaining term of your loan – therefore your new Capital & Interest payments will be higher than they were prior to the Interest Only period.

#### Interest & Fixed Capital

- This is when you agree to pay monthly interest plus a fixed amount of capital. The overall repayment will be less than the normal interest and fixed capital payment.
- If our interest rates change, the fixed amount of capital will remain unchanged during the period of this arrangement, but the repayment will increase.
- The monthly difference between the scheduled full annuity repayment and the agreed interest & fixed capital repayment is adjusted on a monthly basis.
- When the interest & fixed capital arrangement term ends, your repayments are adjusted to ensure that the outstanding capital amount is repaid over the remaining term of your loan.

## Section 4

# Frequently asked questions

### Less than Interest Only

- When your account is placed on 'Less than Interest Only', no payment is made against the capital balance and you are also paying less than the scheduled interest portion of your repayment.
- The shortfall between the scheduled Interest Only repayment and the Less than Interest Only repayment is added to the outstanding mortgage balance.
- When the Less Than Interest Only arrangement term ends, your repayments are adjusted to ensure that the new outstanding balance (which includes the unpaid capital and partial interest amounts from the arrangement period) is repaid over the remaining term of your loan.

### Moratorium

- This is a break in repayments on your mortgage account for an agreed period of time e.g. 3 months.
- The repayments you would have been billed during the moratorium period are added to your mortgage balance and spread over the remaining term.
- This means that when the payment break is finished and your normal monthly repayments resume, they will be higher than they were before the Moratorium.

### Term Extension

- This is an increase to the remaining term on your mortgage account.
- As the overall balance will be spread over a longer period, the normal monthly payment will decrease.
- The additional cost of a term extension is the interest you will be charged for the extra years that have been added to the term of your loan.
- While a term extension lengthens the time it will take to clear your mortgage, your monthly repayments will reduce to a more manageable amount.

**For further information on how KBC Bank Ireland works to assist its customers please call our Arrears Support Unit on 1850 930 650 or visit [www.kbc.ie](http://www.kbc.ie)**

## Section 4

# Frequently asked questions

### Q. What does 'Cost of Credit' mean?

If you restructure your mortgage repayments, the Cost of Credit is the estimated total amount that a restructure to a mortgage account will cost, including interest, over the remaining life of the mortgage.

#### Interest Only Example:

As you know, your monthly mortgage repayment is made up of interest and capital amounts. The additional cost of credit is the extra interest cost payable by you because you have now chosen to avail of an Interest Only facility for a period of time. The Interest Only option in effect defers payment of the capital portion of your repayment to a later date.

The deferred capital therefore needs to be paid over the remaining term of the loan after your Interest Only period expires. This results in a higher amount of capital outstanding than originally agreed when you drew down your mortgage. The additional cost of credit is the total interest cost of this deferred capital portion being held by you for a longer term as a result of deferring its repayment until after the Interest Only period.

Example below is based on a €100,000 mortgage, over a 25 year term and at a current mortgage variable rate of 4.25% (Annual Percentage Rate 4.34%).

	Term	Monthly Repayment Prior to Restructure	Monthly Repayment During Restructure	Monthly Repayment After Restructure	Increase in Cost of Credit due to the Restructure
Interest Only	12 Months	541.74	354.17	554.46	1,414.29
Interest & Fixed Capital (€100 Capital)	12 Months	541.74	454.17	547.81	674.68
Less Than Interest Only @ €250	6 Months	541.74	250.00	551.42	1,094.60
Moratorium	6 Months	541.41	0.00	559.71	2,032.60
Term Extension	5 Years	541.41	491.94	491.94	14,576.93



## Section 4

# Frequently asked questions

### Q. What is a Letter of variation?

A Letter of Variation (LOV) is a document that is issued to KBC Bank Ireland clients prior to entering into an alternative repayment arrangement. It amends the term of the original loan offer. This LOV will request your signed authorisation for the bank to proceed with a proposed alternative repayment arrangement on your account.

A financial institution must receive written authorisation from a borrower to make any changes to the terms and conditions of their loan agreement, as set out in their original Letter of Offer and therefore an alternative repayment arrangement will only be put in place when received.

It is really important that the LOV is returned to us as soon as possible for us to progress.

### Q. What is a Standard Financial Statement?

- The Code of Conduct on Mortgage Arrears issued by the Central Bank of Ireland requires all lenders to use a Standard Financial Statement to obtain financial information from a borrower in arrears or pre-arrears.
- The Standard Financial Statement is designed to assist you in setting out your current financial circumstances, showing all of your incomings and outgoings.
- The easiest way to see where you stand financially is to gather all the relevant information and document the money you have coming in and going out each month.

### Q. Can someone help me to complete the Standard Financial Statement?

We are always very happy to assist customers in completing the SFS.

#### 1. Our team is always available directly:

##### Call Us

You can contact us directly on 1850 930 650.

##### Meet Us

- ✓ You can of course call in and meet our staff or we can arrange for staff to meet with you to go through the form.
- ✓ We have field staff who can call to you to provide assistance.

## Section 4

# Frequently asked questions

### 2. We have also developed other ways to assist you:

#### Standard Financial Statement Guide

KBC Bank Ireland has developed a guide for completing the Standard Financial Statement. The purpose of this guide is to assist you in completing the Standard Financial Statement step-by-step. This can be accessed by visiting [www.kbc.ie](http://www.kbc.ie) or by calling us on 1850 930 650 to request a copy.

#### Standard Financial Statement Video Guides

KBC Bank Ireland also provides online assistance to customers.

Please visit [www.kbc.ie](http://www.kbc.ie) for helpful step-by-step video guides.

### Q. What is an Irish Credit Bureau (ICB) check and why do you need it?

- ICB is a company who run credit checks. This involves KBC Bank Ireland contacting the Irish Credit Bureau and receiving information about your financial circumstances e.g. your loans, details of any missed repayments, the balance still to be paid and any applications you have made.
- The purpose of the ICB is to confirm/cross reference the details of KBC Bank Ireland as documented on your SFS.
- We need to do this so we can verify the information you have provided on the SFS.

### Q. Will the new arrangement affect my credit rating?

- KBC Bank Ireland plc submits details of your account to the Irish Credit Bureau at the end of each month and during the period any payment arrangement on your account will be recorded with the Irish Credit Bureau as "moratorium in place". This may affect your ability to obtain further credit from other financial institutions. Your credit rating remains on record with the Irish Credit Bureau for a period of five years.

## Section 5

# Conclusion

We sincerely hope you have found this guide useful. On the following few pages you will find a list of 'Other sources of assistance' and a glossary of terms to help you understand the terminology that is commonly used. Hopefully this will make you more confident when discussing any concerns you might have.

We also have provided you with contact information for a number of institutions that can offer you advice depending on your situation.

### A few Key Points to remember

- 1) **You do have options**, remember that KBC Bank Ireland is here to help you work through your options, no matter what your situation.
- 2) **Look out for early warning signs** when it comes to your own finances. It helps to keep track of your monthly costs.
- 3) **If you are currently in arrears**, it is never too late to engage with us and discuss your options.
- 4) **As soon as you are becoming worried, please contact us**. The earlier we know, the more we can do to find a solution.
- 5) **We will talk you** through every proposed solution and always advise you to get independent advice as well.

**We hope that this guide will help to allay any fears you might have and assists you in understanding that KBC Bank Ireland is here to help you find a solution to your financial difficulties.**

**For further information on how KBC Bank Ireland works to assist its customers please call our Arrears Support Unit on 1850 930 650 or visit [www.kbc.ie](http://www.kbc.ie)**

## Section 5

# Other sources of assistance

### Office of Revenue Commissioners

The Revenue Commissioners website contains information on all tax credits and benefits that you may be entitled to. It has full contact details for all the local centres.

Website: [www.revenue.ie](http://www.revenue.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](mailto:enquiries@financialombudsman.ie)

Website: [www.financialombudsman.ie](http://www.financialombudsman.ie)

### National Consumer Agency

The National Consumer Agency (NCA) is a statutory body which was established by the Irish Government in May 2007 which aims to defend consumer interests and to embed a robust consumer culture in Ireland.

Their website [www.consumerconnect.ie](http://www.consumerconnect.ie) provides consumers with a range of information in relation to basic rights and updates on topical consumer issues and [www.itsyourmoney.ie](http://www.itsyourmoney.ie) is a website dedicated to providing price comparisons, guides and tools for consumer financial products and services.

### MABS (Money Advice & Budgeting Service)

The Money Advice & Budgeting Service is a national, free, confidential and independent service for people in debt or in danger of getting into debt.

MABS Helpline: 1890 283 438

Website: [www.mabs.ie](http://www.mabs.ie)

### Citizens Information Board

The Citizens Information Board is a statutory body which supports the provision of information, advice and advocacy on a broad range of public and social services including health, unemployment, social welfare and money.

Lo Call: 1890 777 121

Website: [www.citizensinformation.ie](http://www.citizensinformation.ie)

## Section 5

# Other sources of assistance

[www.keepingyourhome.ie](http://www.keepingyourhome.ie) - This website is provided by the Citizens Information Board and the Money Advice and Budgeting Service (MABS). It aims to provide comprehensive information on the services and entitlements available if you are having difficulties paying your rent or making your mortgage repayments.

### Central Bank

The Central Bank's website provides independent information on financial products and includes the Code of Conduct on Mortgage Arrears (Jan 2011).

Website: [www.itsyourmoney.ie](http://www.itsyourmoney.ie)

[www.centralbank.ie](http://www.centralbank.ie)

### Department of Social Protection

The website of the Department of Social Protection has details on Jobseeker's Allowance, mortgage interest supplement and other welfare benefits you may be entitled to.

Website: [www.welfare.ie](http://www.welfare.ie)

## KBC Bank Ireland Contacts

### KBC Bank Ireland Arrears Support Unit

Please contact our Team on 1850 930 650 if your financial situation has changed recently or you are concerned about your finances.

Or visit [www.kbc.ie](http://www.kbc.ie)

### KBC Bank Ireland Appeals Board

Appeals should be sent in writing to:

KBC Bank Ireland Appeals Board,

KBC Bank Ireland,

Sandwith Street, Dublin 2.



**For further information on how KBC Bank Ireland works to assist its customers please call our Arrears Support Unit on**

**1850 930 650 or visit [www.kbc.ie](http://www.kbc.ie)**

## Section 6

# Terminology

### Arrears

Arrears arise on a mortgage account when a borrower has not made the full monthly repayment due by the scheduled due date.

### Code of Conduct on Mortgage Arrears

This code sets out how mortgage lenders must treat borrowers in or facing mortgage arrears, with due regard to the fact that each case of mortgage arrears is unique and needs to be considered on its own merits.

### 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 that term. A borrower may switch from a fixed rate mortgage but a charge may apply.

### 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.

### Mortgage Interest Relief

Mortgage Interest Relief is a tax relief based on the amount of mortgage interest that you pay in a given tax year for your principal private residence (your home).

### Mortgage Interest Supplement

Mortgage Interest Supplement provides short-term support to help you pay your mortgage interest repayments. You should contact your local Social Welfare officer (see page 19 for contact details) who will advise if you qualify for this and what documentation is required in order to qualify. If they require any documentation from us to apply for this or any other benefit, we will provide this information to you within 10 working days of the receipt of your request.

### Repossession

Repossession refers to any situation where the lender takes possession of the property either by way of voluntary agreement with the borrower, through abandonment of the property by the borrower without notifying the lender or by Court Order.

**For further information on how KBC Bank Ireland works to assist its customers please call our Arrears Support Unit on**

**1850 930 650 or visit [www.kbc.ie](http://www.kbc.ie)**

## Section 6

# Terminology

### **Standard Financial Statement**

Standard Financial Statement is a budgeting tool that lists out all your monthly income and outgoings (see Section 2). This form is available on our website [www.kbc.ie](http://www.kbc.ie)

### **Term**

The period for which the mortgage was taken out.

### **Tracker Rate**

A tracker mortgage is a variable rate mortgage that tracks the ECB base rate.

### **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.

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# CONSUMER PROTECTION CODE 2012

## EFFECT OF MISSING REPAYMENTS

WARNING: IF YOU DO NOT MEET THE REPAYMENTS ON YOUR CREDIT AGREEMENT, YOUR ACCOUNT WILL GO INTO ARREARS. THIS MAY AFFECT YOUR CREDIT RATING, WHICH MAY LIMIT YOUR ABILITY TO ACCESS CREDIT IN THE FUTURE.

## TRACKER INTEREST RATE

WARNING: IF YOU SWITCH TO AN ALTERNATIVE INTEREST RATE YOU WILL NOT BE CONTRACTUALLY ENTITLED TO GO BACK ONTO A TRACKER INTEREST RATE IN THE FUTURE.

THIS WARNING DOES NOT APPLY TO A MORTGAGE ON A PRIMARY RESIDENCE COVERED BY THE CODE OF CONDUCT FOR MORTGAGE ARREARS WHICH IS IN "ARREARS" OR "PRE-ARREARS".

CUSTOMERS WITH A MORTGAGE ON A PRIMARY RESIDENCE COVERED BY THE CODE OF CONDUCT FOR MORTGAGE ARREARS WHICH IS IN "ARREARS" OR "PRE-ARREARS" WILL NOT BE REQUIRED TO CHANGE FROM AN EXISTING TRACKER MORTGAGE TO ANOTHER MORTGAGE TYPE, AS PART OF AN ALTERNATIVE ARRANGEMENT.

## RESIDENTIAL MORTGAGE

WARNING: IF YOU DO NOT KEEP UP YOUR REPAYMENTS YOU MAY LOSE YOUR HOME.

## VARIABLE RATE MORTGAGE

WARNING: THE COST OF YOUR MONTHLY REPAYMENTS MAY INCREASE.

## DEBT CONSOLIDATION MORTGAGE

WARNING: THIS NEW LOAN MAY TAKE LONGER TO PAY OFF THAN YOUR PREVIOUS LOANS. THIS MEANS YOU MAY PAY MORE THAN IF YOU PAID OVER A SHORTER TERM.

## FIXED RATE LOAN

WARNING: YOU MAY HAVE TO PAY CHARGES IF YOU PAY OFF A FIXED RATE LOAN EARLY.

## INTEREST ONLY MORTGAGE

WARNING: THE ENTIRE AMOUNT THAT YOU HAVE BORROWED WILL STILL BE OUTSTANDING AT THE END OF THE INTEREST-ONLY PERIOD.

## PERSONAL LENDING

WARNING: IF YOU DO NOT MEET THE REPAYMENTS ON YOUR LOAN, YOUR ACCOUNT WILL GO INTO ARREARS. THIS MAY AFFECT YOUR CREDIT RATING, WHICH MAY LIMIT YOUR ABILITY TO ACCESS CREDIT IN THE FUTURE.



# CONSUMER CREDIT ACT 1995

## HOUSING LOAN

WARNING: YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP PAYMENTS ON A MORTGAGE OR ANY OTHER LOAN SECURED ON IT.

## VARIABLE RATE LOAN

THE PAYMENT RATES ON THIS HOUSING LOAN MAY BE ADJUSTED BY THE LENDER FROM TIME TO TIME.

## ENDOWMENT LOANS

WARNING: THERE IS NO GUARANTEE THAT THE PROCEEDS OF THE INSURANCE POLICY WILL BE SUFFICIENT TO REPAY THE LOAN IN FULL WHEN IT BECOMES DUE FOR REPAYMENT. THE EARLY SURRENDER OF AN ENDOWMENT POLICY IN RESPECT OF AN ENDOWMENT LOAN MAY YIELD A LOWER RETURN TO THE BORROWER THAN THAT PAID IN PREMIA AND OTHER CHARGES.

## Arrears

Compound interest is charged on arrears of payments and will attract interest at the same 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 KBC Bank Ireland plc, you should be aware that while you continue to default with one loan facility you may also be in default under any other facility you have with KBC Bank Ireland plc 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) x T / 12 x A, where:**

B = the Break Funding Fee

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

M = the Wholesale Rate prevailing at the switching/redemption date 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 will be applied to your mortgage account for this amendment.

You retain the right to pay this fee to avoid interest accruing thereon.