

EBA GUIDELINES ON LOAN ORIGATION AND MONITORING

The Guidelines on loan origination and monitoring of 29 May 2020 (EBA/GL/2020/06) were drawn up under a mandate from the Council of the European Union, as part of its action plan to tackle non-performing loans in Europe.

The guidelines specify the requirements of the Capital Requirements Directive¹ (CRD) and introduce special requirements relating to the creditworthiness assessment of consumers, as envisaged in the Mortgage Credit Directive (Directive 2014/17/EU) and the Consumer Credit Directive (Directive 2008/48/EC).

The objective of the guidelines is to improve practices, mechanisms, processes and procedures in relation to credit granting, in order to ensure that institutions have robust and prudent approaches to credit risk taking, management and monitoring, while respecting and protecting the interests of consumers. Consequently, they have a dual scope: prudential and conduct.

The guidelines are structured into different sections. These include overall internal governance arrangements for the credit-granting and monitoring process; the handling and use of the information and documentation required from borrowers and for the assessment of their creditworthiness; a section on the risk-based pricing of loans; a section on loan collateral valuation; and a loan monitoring framework.

The guidelines are addressed to competent authorities and financial institutions. They were adopted by the Banco de España in July 2020 and are applicable in full to lending by credit institutions and specialised lending institutions.

The sections on granting procedures, pricing and collateral valuation also apply to payment institutions and electronic money institutions (and, in the case of granting procedures, to real estate credit lenders) operating in more than one region, in respect of transactions within the scope of the Mortgage Credit Directive and the Consumer Credit Directive.

As regards the target scope of application, debt securities, derivatives and securities financing transactions are excluded, as are forborne and non-performing exposures. The sections on granting procedures and pricing only apply to loans to consumers and enterprises, i.e. excluding loans granted to financial institutions, sovereigns and public entities.

The implementation of the guidelines is also subject to the principle of proportionality, and specific criteria are established for each section.

The guidelines will enter into force on 30 June 2021 and will apply, in general and with exceptions, to loans granted as from that date, whereupon the EBA Guidelines on the creditworthiness assessment of consumers (EBA/GL/2015/11) will be repealed.

¹ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.