

**MEASURES TO ALLEVIATE THE RISE IN INTEREST RATES ON MORTGAGE LOANS**

Royal Decree-Law 19/2022 of 22 November<sup>1</sup> provided for various structural measures to improve the mortgage loan market. It is worth noting the creation of a new Code of Good Practice (CGP), with transitional nature—until 31 December 2024— and applicable to individuals holding loans or credits secured by real estate mortgages, granted until 31 December 2022, on the primary residence of the debtor or non-debtor mortgagor, whose acquisition price does not exceed EUR 300,000. It also modified the pre-existing CGP for the protection of mortgagors without resources, regulated in Royal Decree-Law 6/2012 of 9 March<sup>2</sup>.

The following Figure specifies the access regime and the measures provided for in both codes.

Among other actions, the Banco de España will publish the following on its website: i) a «Guide of tools for mortgagors facing payment difficulties»; ii) two simulators to provide information on the eligibility and access regime for the measures in both CGPs and on the impact of the proposed measures on mortgage loan terms and conditions; and iii) a list of contact points of the State, the Autonomous Regions and local authorities for the provision of services to citizens facing payment difficulties on their primary residence.

Figure 1  
CODES OF GOOD PRACTICES: ACCESS REGIME AND MEASURES

CGP of RDL 19/2022, for mortgagors at risk of vulnerability		CGP of RDL 6/2012, for mortgagors experiencing financial hardship	
		Particular vulnerability (1)	Particular vulnerability (2)
<b>Requirements</b>	<p>Income of the family unit below 3.5 times the annual Public Indicator of Income for Multiple Purposes (IPREM) for 14 payments (or 4.5 or 5.5 times the IPREM, in cases of disability or illness)</p> <p>In the 4 years preceding the application, the family unit:</p> <ul style="list-style-type: none"> <li>(i) has suffered an increase in the effort represented by the mortgage burden of at least 20%, or</li> <li>(ii) is in a situation of particular vulnerability</li> </ul> <p>Mortgage instalment of more than 30% of family unit's net income</p>	<p>Income of the family unit below 3 times the annual IPREM for 14 payments (or 4 or 5 times, in cases of disability or illness)</p> <p>In the 4 years preceding the application, the family unit:</p> <ul style="list-style-type: none"> <li>(i) has suffered an increase in the effort represented by the mortgage burden of at least 50%, or</li> <li>(ii) is in a situation of particular vulnerability</li> </ul> <p>Mortgage instalment of more than 50% of family unit's net income (40% in cases of disability or illness)</p>	<p>Income of the family unit below the threshold of 3 times the annual IPREM for 14 payments (or 4 or 5 times, in cases of disability or illness)</p> <p>In the 4 years preceding the application, the family unit:</p> <ul style="list-style-type: none"> <li>(i) has suffered an increase in the effort represented by the mortgage burden of less than 50%, or</li> <li>(ii) is not in a situation of particular vulnerability</li> </ul> <p>Mortgage instalment of more than 50% of family unit's net income (40% in cases of disability or illness)</p>
<b>Measures</b>	<ul style="list-style-type: none"> <li>(i) Extend the repayment period up to a maximum of 7 years —without extending its total duration beyond 40 years— and freeze the mortgage instalment for a period of 12 months. The unpaid principal shall will accrue interest at a rate that entails a 0.5% reduction in the net present value of the loan</li> <li>(ii) Conversion of the initial loan interest calculation formula, switching from a variable to a fixed interest rate, freely offered by each institution</li> </ul>	<ul style="list-style-type: none"> <li>(i) 5-year principal grace period</li> <li>(ii) Extension of the repayment period up to a maximum of 40 years</li> <li>(iii) Interest rate equal to Euribor minus 0.10% during the grace period</li> </ul>	<ul style="list-style-type: none"> <li>(i) 2-year principal grace period</li> <li>(ii) Extension of the repayment period with a maximum of 7 years, without extending the total duration of the loan beyond 40 years</li> <li>(iii) Reduction of the interest rate which entails a 0.5% reduction of the net present value of the loan during the grace period</li> </ul> <p>The new version of the CGP of RDL 6/2012 (i) allows for a second restructuring plan, and (ii) extends the period for applying for dation in payment of the principal residence to 2 years and the period for applying for and obtaining rent from the enforcing creditor of the dwelling to 12 months</p>

SOURCE: Banco de España.

1 Royal Decree-Law 19/2022 of 22 November, which establishes a Code of Good Practices to alleviate the rise in interest rates on mortgage loans on primary residences, amends Royal Decree-Law 6/2012 of 9 March on urgent measures to protect mortgagor debtors without resources, and adopts other structural measures to improve the mortgage loan market.  
 2 Royal Decree-Law 6/2012 of 9 March on urgent measures to protect mortgagor debtors without resources.