

**INFORMATION FOR CUSTOMERS ON THE CODE OF GOOD PRACTICE FOR THE APPLICATION OF  
PROTECTIVE MEASURES FOR MORTGAGE DEBTORS WITHOUT RESOURCES (ROYAL DECREE  
LAW 6/2012 OF 9 MARCH)**

Bankia is adhered to the Code of Good Practice (hereinafter, the CGP) for the viable restructuring of debts secured by mortgages on first residences in which a series of measures to protect the mortgagor are established. Most measures apply to those located on the so-called exclusion threshold.

The CGP to which Bankia adheres is included in Royal Decree Law 6/2012 of 9 March on urgent measures to protect mortgage debtors without resources, as amended by Law 1/2013 of 14 May on measures to strengthen protection for mortgage borrowers, debt restructuring and social rent, by Royal Decree Law 1/2015 of 27 February and by Royal Decree Law 5/2017 of 17 March, without prejudice to applicable legislation at any given time.

In compliance with RDL 6/2012, as soon as Bankia realises that a customer has difficulties with the payment of mortgage debt on his/her first residence, it informs him/her of the option for applying for the measures provided in the CGP. Bankia branch offices will provide all information and explanations concerning the measures of the CGP.

This code establishes different measures for which families in the exclusion threshold may apply when the following conditions are met.

1. Who is eligible for the CGP?
2. When is a mortgagor in the exclusion threshold?
3. What conditions must the home fulfil for the mortgagor to be able to apply for the CGP?
4. How is the application processed and what documentation is necessary?
5. What protective measures are established by the CGP?
6. What additional requirements must mortgagors fulfil when the restructuring plan of the CGP is not viable and they wish to apply for the complementary and alternative measures to foreclosure provided by the CGP (cancellation and payment in kind)?
7. Right to rent the property if the foreclosure affects the first residence and terms for application.

**1. Who is eligible for the CGP?**

The CGP is available for persons who are debtors of a credit secured by mortgage on their first residence (mortgagor), are in the exclusion threshold and provide evidence thereof.

The measures of the CGP also apply to the guarantors and mortgage guarantors of the principal debtor in respect of their first residence and under the same conditions as those provided for the mortgagor.

**2. When is a mortgagor in the exclusion threshold?**

A mortgagor is considered to be in the exclusion threshold when **all the following circumstances** apply:

- a) The total revenue of the members of the household does not exceed the limit of three times the annual 14-payment Multiple Effects Public Income Indicator (for 2017, this indicator is €7455.14<sup>1</sup>, where the total income must not exceed €22,365.42).

This limit will be:

- i. four times the annual 14-payment Multiple Effects Public Income Indicator if any member of the household has a declared disability of over 33 percent, a situation of dependence or illness that duly incapacitates them permanently for employment; or
- ii. five times this indicator, if a mortgagor is a person with cerebral palsy, mental illness or intellectual disability with a recognized degree of disability equal to or greater than 33 percent, or a person with physical or sensory disabilities with a recognized degree of disability equal to or greater than 65 percent, as well as in cases of serious illness that duly incapacitate the person or his/her carer for employment.

*What is meant by household?*

The household comprising the debtor, his/her spouse, from whom he/she is not legally separated, or registered common-law spouse and children, regardless of their age, who live at the residence, including those in a relationship of guardianship, custody or foster care.

- b) In the four years preceding the time of application, the household must have undergone significant changes in their economic circumstances in terms of effort for access to the residence or family circumstances of particular vulnerability have occurred in the said period.

*What is meant by "significant changes in their economic circumstances"?*

As a requirement for inclusion in the exclusion threshold, it is understood that there has been a significant change in the economic circumstances when the effort represented by the mortgage burden on family income has been multiplied by at least 1.5; unless the bank proves that the mortgage burden when the loan was awarded was equal to or higher than the mortgage burden at the time of the application for the CGP.

*What are circumstances of particular vulnerability?*

As a requirement for inclusion in the exclusion threshold, it is understood that a household is in a circumstance of particular vulnerability in any of the following cases:

1. Large family, in accordance with current legislation.
2. Single-parent family with dependent children.
3. Household including a minor.
4. Household in which any of its members have a declared disability of over 33 percent, a situation of dependence or disease duly incapacitating them permanently for employment.
5. Household in which, in the same residence, one or more persons who are related to the mortgagor or his/her spouse by kinship up to the third degree of consanguinity or affinity and who are in a personal situation of disability, dependency or serious illness that duly incapacitates them temporarily or permanently for employment.

---

<sup>1</sup> Source: website of the Multiple Effects Public Income Indicator at [www.iprem.com.es](http://www.iprem.com.es).

6. Household in which there is a victim of gender violence.

7. Debtor over the age of 60 years, although not eligible to be considered a household as provided in paragraph a) above.

- c) The resulting mortgage payment exceeds 50 percent of the net income received by all the members of the household. This percentage will be 40 percent if one of the members of the household has a declared disability of over 33 percent, a situation of dependency or disease that duly incapacitates them permanently for employment or, in the case of a mortgagor, is a person with cerebral palsy, mental illness or intellectual disability with a recognized degree of disability equal to or greater than 33 percent, or a person with physical or sensory disabilities with a recognized degree of disability equal to or greater than 65 percent, as well as in cases of serious illness that duly incapacitates the person or carer for employment.

### **3. What conditions must be met by the residence for the mortgagor to be eligible for the CGP?**

Implementation of the CGP will apply to mortgages taken out as collateral for loans or credits when the purchase price of the mortgaged property has not exceeded 20% of the result of multiplying the size of the property by the average price per square metre for non-mortgaged housing under the Housing Price Index drawn up by the Ministry of Public Works for the year of purchase of the property and the province in which it is located, with an absolute limit of 300,000 euros.

Buildings acquired before 1995 will take the average reference price for the year 1995.

### **4. How is the application processed and what documentation is necessary?**

Customers wishing to apply for the measures of the CGP should contact their Bankia branch, where they will be given more information on terms, required documentation and conditions. They may also obtain the application forms from their branch (also available at [www.bankia.es](http://www.bankia.es)).

The following documentation is required:

a) Household income:

- Income certificate and, where appropriate, certificate of the submission of Wealth Tax issued by the Tax Agency or the competent body of the Autonomous Community for the last four tax years.
- Last three salary slips.
- Certificate issued by the benefits office showing the monthly amount received in unemployment and other benefits.
- Certificate of social salaries, minimum income for insertion or similar welfare aid granted by the autonomous communities and local authorities.
- If self-employed and if the person were receiving the benefit for cessation of activity, the certificate issued by the management office showing the monthly amount received.

b) Number of people living in the residence:

- Family book or document of registration as a common-law couple.

- Census certificate for the persons registered as living in the residence, referring to the time of submission of the documents and the previous six months.
  - Declaration of disability, dependency or permanent incapacity for employment.
- c) Ownership of assets:
- Ownership certificate issued by the Property Registry for each member of the household.
  - Deeds of sale of the residence and constitution of mortgage guarantees and other supporting documents, where applicable, for any other real or personal guarantees provided.
- d) Sworn declaration by the debtor or debtors regarding compliance with the requirements to be considered in the exclusion threshold in accordance with the format approved by the committee set up to monitor compliance with the CGP.

In relation to cases 5 and 6 in the section on the *circumstances of particular vulnerability*, the bank shall request the necessary documentation to prove the occurrence of such circumstances.

Within one month of filing the application with the above documentation, Bankia will notify the debtor of a plan to restructure the mortgage debt or, where appropriate, the non-viable nature of the plan and the additional measures the mortgagor may apply for.

## **5. What protective measures are established by the CGP?**

The restructuring plan for the mortgage debt consists of the joint implementation of the following measures:

- I. Five-year grace period for the repayment of capital.
- II. Extension of the repayment period to a total of 40 years from when the loan was awarded.
- III. Reduction of the applicable interest rate to the Euribor rate + 0.25 percent during the grace period.
- IV. Indefinite nonapplication of interest rate floor clauses in mortgage loan contracts.

It is also possible to combine debts owed to the bank.

If the application of the above measures is considered unfeasible because the restructuring results in a monthly payment of over 50 percent of the total income received by all members of the household, the mortgagor has the option to apply (within one month after accreditation of the infeasibility of the restructuring plan) for the implementation of additional measures consisting of a reduction of the debt (however, the bank is not obliged to accept):

- i. Reduction of 25 percent.
- ii. Reduction equivalent to the difference between repaid capital and that which is in the same proportion to the total capital as the number of instalments paid in relation to the total due.
- iii. Reduction equivalent to half the difference between the current value of the residence and the value resulting from subtracting from the initial appraised value a figure that is twice the difference with the loan awarded, provided it is less than the latter.

This measure may be applied for by debtors who are in foreclosure proceedings in which the auction has already been announced.

It may also be applied for by debtors who, although in the exclusion threshold, have failed to qualify for payment in kind owing to the fact that the residence is subject to later encumbrances.

If the restructuring plan and additional measures are not viable, the mortgagor may request, within 12 months from the application for restructuring, payment in kind on his/her residence as a means of definitively discharging the debt, where the entity is obliged to accept the handover of the mortgaged property. This measure shall not apply in cases involved in foreclosure proceedings in which the auction has been announced or the residence is subject to later encumbrances.

If he/she files the corresponding application when requesting payment in kind, the mortgagor may stay in the residence as tenant for 2 years, paying an annual income of 3% of the total amount of debt at the time of the payment in kind.

#### **6. What additional requirements must mortgagors fulfil when the restructuring plan of the CGP is not viable and they wish to apply for the additional measures provided by the CGP (reduction and payment in kind)?**

For reductions or payment in kind, besides the above requirements, the following conditions must be met:

- a) all members of the household have no other property or property rights sufficient to pay the debt;
- b) it is a credit or loan secured by a mortgage that applies to the only home owned by the debtor or debtors and awarded for the purchase thereof;
- c) it is a credit or loan with no other real or personal guarantees or, if there are such guarantees, there are no other property or property rights sufficient to pay the debt.
- d) If there are co-debtors who are not members of the household, they must be included in the circumstances indicated in the above three points.

The option for payment in kind applies only to mortgages as security for loans or credits granted when the purchase price of the mortgaged property does not exceed the result of multiplying the size of the property by the average price per square metre for non-mortgaged residences under the Housing Price Index prepared by the Ministry of Public Works for the year of acquisition of the property and the province in which it is located, with an absolute limit of 250,000 euros.

Buildings acquired before 1995 will take the average reference price for the year 1995.

#### **7. Right to rent the property if the foreclosure affects the first residence and terms for application.**

The foreclosed mortgagor whose release has been suspended in accordance with Article 1.1 of Law 1/2013 of 14 May on measures to strengthen protection for mortgage borrowers, debt restructuring and social rent may request and obtain from the creditor foreclosing the property or the person acting on behalf thereof the rental of the residence for a maximum annual rent of 3 per cent of its value at the time of the acceptance of the final bid, determined by appraisal provided by the foreclosed party and certified by an approved appraiser in accordance with Law 2/1981 of 25 March on the mortgage market.

The application for rent referred to in the preceding paragraph may be filed within six months from:

- i. 19 March 2017 for foreclosed parties who already benefited from the suspension on that date; or
- ii. the date of the suspension for those who benefited after 19 March 2017.

The rent agreement will be annual and may be extended as requested by the tenant up to a term of five years. By mutual agreement between the foreclosed party and the successful bidder, it may be extended annually for an additional five years.