

GENERAL INFORMATION ON MORTGAGE AGREEMENTS



This document aims to provide consumers¹⁾ with the general information set out in Article L226-10 of the *Code de la consommation*, in relation to mortgages offered by BGL BNP Paribas (hereinafter “the bank”).

The loan agreements concerned are provided for in Article L226-2 of the *Code de la consommation*.

This document does not commit the bank in any way. It does not constitute an offer or advertising, and can in no way be considered advice of any kind whatsoever from the bank.

To make a loan application, please contact us by phone on (+352) 42 42-2000, by e-mail at info@bgl.lu or by visiting one of our branches.

Possible loan purposes

Mortgages granted by the bank to consumers may be used for the following purposes:

- Purchase of a property for residential use or business and residential use.
- Purchase of land for the construction of a residential property.
- Construction works to build a residential property.
- All types of borrowing, provided that the loan is guaranteed by a mortgage against a residential property.

Types of interest rate available

All loans granted by the bank will be subject to interest charges, which must be paid by the consumer on top of the principal amount borrowed. The bank offers its customers different types of interest rates:

Variable rate

If the parties agree to a variable interest rate, this rate may vary over the term of the loan. A rise in the interest rate will result in higher monthly payments, while a fall in the interest rate will lead to lower monthly payments (or a reduction in the term of the loan if this is provided for under the agreement). This variable rate can be:

- A variable interest rate set by the bank according to its refinancing costs and the sales margin agreed on a case-by-case basis with each client, or
- A base rate (Euribor, for example) for a fixed term, in addition to the sales margin agreed on a case-by-case basis with each client.

Advantages: this type of rate is flexible and allows the consumer to benefit from interest rate cuts and make early repayments free of charge.

Disadvantage: if interest rates rise, the monthly amount to be repaid by the consumer will be higher.

¹⁾ Under the terms of Article L010-1 1) of the *Code de la consommation* in Luxembourg, a consumer is any natural person acting for purposes which are outside their trade, business, craft or profession.



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Fixed rate

If the parties agree to a fixed interest rate, this rate stays unchanged over the entire term of the loan and the monthly repayment amounts remain the same.

Advantages: this type of rate means that the consumer knows the amount payable to the bank in advance and is protected should interest rates rise.

Disadvantages: the consumer will not be able to benefit from any reduction in interest rates and early repayments are subject to charges.

Adjustable interest rate

It is possible to agree a period of fixed interest that is shorter than the full term of the loan. In this case, the consumer benefits from all the advantages of a fixed rate for a certain term and retains the option – at the end of this time period – of choosing a new type of rate in line with current market conditions (variable, fixed, adjustable or any other type of rate available at the time).

Possible repayment terms

The bank and the consumer may agree on different repayment terms, depending on the nature of the loan requested.

Amortised loans

For this type of loan, regular repayments are made at each due date throughout the agreed period. These include repayment of the principal balance and interest calculated on the outstanding principal balance, so that at the end of the loan, the outstanding balance will be zero. The proportion of capital repaid increases over time, while the proportion of interest decreases.

Interest-only loans

Unlike an amortised loan, for this type of loan, the principal balance is repaid in full and in a single instalment at the end of the loan agreement. The debit interest accrued is either added to the principal balance quarterly or repaid regularly.

Progressive repayment loans

For the first five years of the loan, the amortisation structure is “interest-only”: instalments cover at least the interest due on the loan (although repayment of the principal balance is possible). At the end of the five years, the structure becomes “amortised”, i.e. the monthly payments made until the end of the loan include repayment of the principal balance and interest payments.

Available loan terms

The maximum mortgage term is 30 years. For adjustable fixed-rate loans (see opposite), a distinction should be made between the fixed-rate term and the total term of the loan. It is therefore possible for a loan with a total term of 25 years to have a fixed rate for a shorter term.

If the loan amount is to be drawn down in several tranches (e.g. a first tranche to purchase a plot of land and a second tranche for construction), it is possible to agree a maximum draw-down period of 24 months. The first repayment date may also be defined based on the consumer’s needs. These parameters may have an impact on the cost of the loan and are specified in the loan agreement and in the ESIS (European standardised information sheet).

Costs

In addition to the rate of interest to the loan, other costs may be payable by the consumer and included in calculating the APR (annual percentage rate). These costs are as follows:

- Single advance fee (administrative charges for provision of the funds).
- Application fee (administrative charges for reviewing the application).
- Account handling charges.

Setting up the loan may generate other charges which, since they are not known by the bank, are not included in the total cost of the loan. These may include charges linked to mortgage registration, notary fees or credit protection insurance. These charges will also be payable by the consumer, in one instalment, once the loan has been set up.



Example

Loan amount	EUR 500,000.00
Loan term	25 years
Annual interest rate	5.45 %
APR	5.69 %
Monthly repayment	EUR 3,062.41
Total cost of the loan, including:	EUR 420,723
■ single advance fee	EUR 2,000.00
■ account handling charges	EUR 500.00
Total amount payable by the consumer	EUR 920,723.00

Types of collateral

To protect itself against possible default by the consumer, the bank asks for the loan to be backed by a first-ranking mortgage over the building or land to be financed. If applicable, a mortgage registration against another property may be requested. Furthermore, the bank also requires the consumer to take out payment protection insurance.

Other securities or guarantees may also be given to the bank:

- A bank guarantee
- A third-party guarantor
- A pledge of assets (cash or securities)
- Wage assignment
- Assignment of the proceeds from a life insurance policy or home savings account

Cooling-off period

Once the bank has made a variable rate loan offer, consumers have a cooling-off period of 30 calendar days to decide whether or not to go ahead with the loan agreement. The bank will leave the terms and conditions of its offer unchanged during this time

For fixed-rate loans, the consumer has a cooling-off period of 14 calendar days from receipt of the offer. The loan agreement must be signed during that period to benefit from the fixed interest rate offered. At the end of this period, the bank will issue a new interest rate based on market conditions.

Early repayment

Borrowers may repay all or part of their loan at any time before the end of the loan's term. Amounts repaid cannot be reused. However,

the bank has the right to fair and proper compensation where this is justified.

The repayment terms may differ depending on the type of rate applied to the loan agreement.

For variable-rate loans, total or partial early repayment may be made with no additional charges by means of a simple transfer to the consumer's loan account. This allows for the loan's term to be reduced or the amount of the regular repayments to be decreased, depending on the conditions set out in the contract.

For fixed-rate loans, early repayment will result in payment of a termination fee by the consumer. This fee is payable if the bank is unable to replace the funds repaid at an interest rate that is identical to the one set out in the loan agreement binding it to the consumer.

In the event of early repayment, the bank may not be able to reuse the funds for the period set out in the agreement at a similar interest rate, depending on market trends. This therefore represents a potential cost for the bank, which will be charged to the consumer as an agreement termination fee.

This will therefore depend on the difference between the fixed rate negotiated in the loan agreement and the reinvestment rate available at the time of the early repayment; that difference being multiplied by the discount factor by which the future cash flow must be multiplied in order to obtain the present value. The total fee represents the sum of the interest differences updated for all future repayment periods.

If the initial loan refinancing rate is higher than the reinvestment rate, a fee will be payable by the consumer, calculated using the formula described above, depending on the amortisation profile of the loan and the amount repaid. Under no circumstances may the repayment be less than the bank's administration costs for handling the early repayment request, which are fixed at EUR 200. If the initial loan refinancing rate is lower than the reinvestment rate, the bank will be entitled to a fee of EUR 200 corresponding to the administration costs for handling the early repayment request.

In any case, if the loan was taken out to enable the purchase of a house used as the consumer's effective principal residence for an uninterrupted period of at least two years, the fee paid by the consumer may not exceed the value corresponding to six months' interest on the principal balance subject to early repayment, calculated at the interest rate applicable to the property loan agreement on the early repayment date.

It should be noted that this cap will not apply to the fraction of the total amount of early repayments exceeding EUR 450,000. It is up to the consumer to produce the documentation demonstrating entitlement to claim the capped fee.



Prior to early repayment, the consumer must notify the bank of the intention to repay all or part of the loan. The bank will then notify the consumer of the fee amount to be paid. The consumer will have 14 calendar days to notify acceptance of the early repayment conditions, via whichever means of communication they choose. Any effective repayment made to the loan account will be deemed to indicate acceptance of the early repayment conditions.

Ancillary services

The bank requires fire and civil liability insurance to be taken out on the property, and the costs of that insurance are payable by the consumer. The consumer may procure those services from the provider of their choice.

Non-compliance with obligations under the mortgage agreement

The bank reserves the right to terminate the loan agreement without notice in the event of non-compliance with the terms of the agreement. Termination of the loan will imply cessation of use of the loan and make all sums owed by the consumer repayable to the bank. The bank will then draw up a final statement indicating the outstanding principal balance, as well as all interest, commissions, fees and other ancillary charges.

With regard to legal action initiated to recover the amounts owed, the bank may ask the consumer, in addition to the amounts due, to reimburse it for all costs incurred.

The consumer should be aware that, in the event of default, the mortgage charge granted in favour of the bank may be invoked as part of recovery proceedings. The mortgaged property may therefore be repossessed and sold.

If consumers encounter difficulties making monthly repayments, they should make contact in order to consider potential solutions. As a last resort, the house may be repossessed if the consumer does not meet the repayments.

Valuation of the property

Depending on the value of the property and any changes to be made to it, the bank may request a valuation of the property given as collateral. If the bank decides to value the property itself, the consumer will not be charged any additional fees.

In the event of disagreement concerning the valuation of the property, the bank reserves the right to request a valuation by a third party, with resulting fees payable by the consumer. The rules for valuing properties are defined by law.



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