

Informative document

ROYAL DECREE-LAW 6/2012 OF MARCH 9, ON URGENT MEASURES FOR PROTECTING MORTGAGE BORROWERS WITHOUT RESOURCES (OFFICIAL STATE GAZETTE, MARCH 10, 2012).

ADAPTED TO THE MODIFICATIONS INTRODUCED BY LAW 1/2013 OF MAY 14 (BOE OF MAY 15), BY LAW 8/2013 OF JUNE 26 (BOE OF JUNE 27), BY ROYAL DECREE-LAW 1/2015 OF FEBRUARY 27 (BOE OF FEBRUARY 28), AND BY ROYAL DECREE-LAW 5/2017 OF MARCH 17 (BOE OF MARCH 18).

This document is a summary of the protective measures aimed at facilitating the restructuring of debts, as regulated in Royal Decree Law 6/2012 ("the Royal Decree-Law"). **It has been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) to make it easy for its customers to understand these measures, their eligibility requirements, and the documentation needed to certify these requirements. This document does not replace in whole or in part the contents of the Royal Decree-Law, which the Bank recommends you read.**

1. ELIGIBLE CUSTOMERS

Those customers who have a mortgage with BBVA ("MORTGAGE LOAN") to which **all** of the following circumstances apply may ask BBVA to apply the measures in the Royal Decree-Law, with the limitations and exceptions that are specified below for each:

- a) The MORTGAGE LOAN is valid on the date of entry into force of the aforementioned Royal Decree-Law, whether the loan is guaranteed by your primary residence, or is taken out later.
- b) It will apply to:
 - (i) Those Borrowers who are at the Exclusion Threshold and with the Terms and Conditions on the Purchase Price, as will be indicated below.
 - (ii) Mortgage guarantors with respect to their primary residence, and with the same conditions as those established for the mortgage borrower.¹

b.1) The Exclusion Threshold applies when all of the following circumstances occur:

- a) **Maximum income:** the income of the Household as a whole does not exceed the limit of 3 times Spain's public revenue index (IPREM) paid in 14 annual installments. For these purposes, the **Household** is: the borrower and, as applicable, their spouse, not legally separated, or registered civil partner, and their children who reside in the mortgaged property, including foster children and those under the guardianship of the borrower.

The limit will be **4** times the annual IPREM for fourteen installments if any member of the family unit has a recognized disability of more than 33%, requires dependent care or has an illness that has been verified to permanently impede them from engaging in a work activity, or **5** times this indicator if the mortgage debtor is a person with cerebral palsy,

¹ Other non-debtor mortgagees who are at the Exclusion Threshold may require that the debtor's principal assets be depleted, without prejudice to the Code of Good Practices being applicable to the latter, before claiming the guaranteed debt, and even if they had waived the benefit of discussion.

mental illness or intellectual disability, or has a recognized degree of disability equal to or greater than 33%, or is a person with physical or sensory disabilities with a recognized degree of disability or equal to or greater than 65%, as well as in cases of severe illness that renders the person or caregiver unable to perform a work activity.

b) Significant change in the circumstances or family circumstances of Special Vulnerability: that, in the four years before the time of the request, the Household has experienced a significant change in its economic circumstances in terms of difficulty affording the home, or if circumstances have occurred during said period that have made the family especially vulnerable. To this end:

(i) A significant change in financial circumstances occurs when the mortgage burden as a percentage of household income has multiplied by at least 1.5; unless the bank proves that the mortgage burden at the time the loan was granted was equal to or greater than the mortgage burden when the application is submitted pursuant to the Code of Good Practices.

(ii) Family circumstances of special vulnerability apply in the following cases:

- 1° A large family, as defined in the applicable legislation.
- 2° A single-parent household with dependent children.
- 3° A household of which a minor is a member.
- 4° A household in which one of its members has a recognized disability of more than 33%, requires dependent care or has an illness that has been verified to permanently impede them from engaging in a work activity.
- 5° A household in which one or more people who are related to the borrower or their spouse by ties of family or blood relationship of up to the third degree, and who are disabled, dependent, or seriously ill such that they are temporarily or permanently prevented from engaging in a work activity.
- 6° A household in which there is a victim of domestic violence.
- 7° The borrower is over 60 years old, even if they do not satisfy the requirements to be considered a Household, as provided in letter a)

c) Mortgage payment: The mortgage payment associated with the MORTGAGE LOAN exceeds **50%** of the household's total net income. This percentage will be **40%** when any household member is a person to whom the circumstances specified in the second paragraph of the section labeled "Maximum income" (for the 4% or 5% IPREM cases) apply.

For the purposes of sections a and b, a degree of disability equal to or greater than 33% is considered applicable in the case of Social Security pensioners who have a recognized pension for total permanent disability, absolute disability or severe disability, as well as in the case of Ex-civil Servant pensioners who have a recognized pension for retirement or for early retirement due to permanent disability for the service or ineligibility.

d) Additional requirements for applying the Supplementary Measures (Section 2 of the Annex - Section 3.3 of this note) and Alternative measures for foreclosure (Section 3 of the Appendix - Section 3.4 of this note):

- 1° The Household **lacks any other sufficient assets or property rights** with which to service the debt.
- 2° The loan is backed by a mortgage on a **single home owned** by the borrower(s) that was issued for the purchase of said home.
- 3° The **loan lacks other guarantees**, whether real or personal, or, if the latter exist, the person lacks other sufficient assets or property rights to service the debt.
- 4° If there are co-borrowers who are not part of the Household, the above circumstances must apply to them.

b.2) Terms and Conditions of the Purchase Price: it will be applied to loans or credits when the purchase price of the mortgaged property does not exceed 20% of the amount that would result from multiplying the surface area of the property by the average price per square meter for non-subsidized housing that is shown in the Housing Price Index published by the Ministry of Development for the year of acquisition of the property, and for the province in which the property is located, with an absolute limit of 300,000 euros. For properties purchased before 1995, the average reference price for 1995 will be used.

2. DOCUMENTATION REQUIRED

In order to prove that the Household is at the Exclusion Threshold, the following documents must be presented to BBVA:

a) Receipt of income for the members of the household:

- 1° Income certificate, and where applicable, a certificate relating to the filing of Wealth Tax, issued by the State Tax Administration Agency (AEAT) or the relevant agency of the regional government, where applicable, for at least the past four tax years.
- 2° Proof of monthly income: last three paychecks received or pension payment certificate issued by Social Security or the paying agency.
- 3° Certificate issued by the company managing the benefits that shows the monthly amount received for unemployment benefits or subsidies.
- 4° Certificate accrediting welfare payments, minimum integration income or similar social aid granted by Autonomous Communities and local entities.
- 5° For self-employed workers
 - If still working:
 - Declaration of assets.
 - Activity (last 6 months) in the bank account used for the business.
 - If taxes paid using the Direct Estimation System:
 - Form 390 for annual VAT for the last year and quarterly VAT and Personal Income Tax forms for the year in progress.
 - Form 347.
 - If receiving the cessation of activity benefit, a certificate issued by the management body showing the monthly amount received.

b) Number of individuals living in the home:

- 1° Family Book, document certifying the registration as a de facto partner, separation or divorce judgment and approval of the regulatory agreement in the event of a change in the family status, a domestic violence sentence or a single-parent family certificate.
- 2° Census certificate for the individuals registered in the property, with reference to the time of presentation of the supporting documents and to the previous six months.
- 3° Declaration of disability, dependency or permanent disability to engage in work activity for the members of the household.

c) Ownership of goods:

- 1° Certificates of ownership issued by the Property Registry for each member of the household.
- 2° Deed of purchase of the property and of the creation of the mortgage guarantee and other supporting documents for the remaining collateral or personal guarantees constituted, if any.

d) Affidavit from the borrower(s) indicating compliance with the requirements for being considered at the exclusion threshold, as per the form approved by the commission created to enforce the Code of Good Practices.

3. PROTECTIVE MEASURES.

3.1 Discount on default interest

For all mortgages for which the borrower is at the Exclusion Threshold, the applicable default interest rate from the time the borrower requests the application of any of the measures in the Code of Good Practices, and the time when the borrower proves to the bank that he/she is in that situation shall be, at most, the rate that results from summing to the original interest rate **2%**, which shall be applicable to the loan principal.

3.2 Measures prior to foreclosure: restructuring of mortgage debts

In addition to the general requirements specified above, if the mortgage loan is being called in through a legal procedure, it has not reached the auction stage or later.

Within one month of the application, BBVA will notify and offer customers a MORTGAGE LOAN restructuring plan that will include the following measures:

- (i) Five-year grace period on principal payments. The principal corresponding to the payments for that period may either be transferred to a final installment at the end of the loan, or be pro-rated in the remaining payments, or a combination of both.
- (ii) Extension of the loan term to a total of 40 years from the date of signature of the original loan.
- (iii) Reduction of the applicable interest rate to Euribor + 0.25% during the grace period.
- (iv) Indefinite derogation of the clauses limiting the reduction in the interest rate provided for in the mortgage loan contracts.²

The early repayment requested will not entail compensation costs during the ten years following the approval of the Plan.

BBVA may optionally agree with customers to consolidate other debts they have with BBVA.

BBVA will warn customers of the viability or not of the Plan offered. A non-viable plan is one that sets a monthly mortgage payment that exceeds 50% of the combined income of all members of the Household.

The above notwithstanding, the borrower may submit a loan restructuring proposal to BBVA at any time for analysis. If rejected, the bank must inform the borrower of its reasons for rejecting it.

3.3 Supplementary measures: Cancellation of part of the outstanding principal of the MORTGAGE LOAN

May be requested by customers who are in one of the following circumstances:

- (i) If the initial restructuring plan offered by BBVA is non-viable when made or subsequently, as established in Section 3.2 above.
- (ii) They comply with the **Additional Requirements to apply the Supplementary Measures**.
- (iii) They may request it regardless of whether or not the auction stage has been reached.
- (iv) It may be requested by those borrowers who are ineligible for dation in payment, as discussed later, due to liens placed on the property after the mortgage was issued.

BBVA shall be entitled to accept or reject the application within **one month** after notifying the customers of the non-viability of the Plan, or of the subsequent accreditation by customers of this circumstance, as applicable.

To determine the cancellation, BBVA will use one of the following calculation methods and will report, in any case, the results to the customer, regardless of whether or not it decides to grant the cancellation:

- (i) 25% reduction.
- (ii) Reduction equivalent to the ratio between the number of payments made and the number of outstanding payments, multiplied by the outstanding principal.
- (iii) Reduction equivalent to half the difference between the current value of the home and the value resulting from subtracting the initial appraised value twice the difference of the initial mortgage amount, provided that the first is less than the second.

3.4 Measures in lieu of foreclosure: dation in payment of the primary residence.

Customers for whom the Restructuring Plan and the principal cancellation, as applicable, are not viable and who satisfy the **additional requirements for applying the Supplementary Measures** may request, within twelve months from requesting said Plan from BBVA, the dation in payment of their primary residence, which BBVA shall be required to accept when the mortgage was issued for the purchase of a home when the purchase price of the mortgaged property does not exceed the amount that would result from multiplying the surface area of the property by the average price per square meter for non-subsidized housing that is shown in the Housing Price Index published by the Ministry of Development for the year of acquisition of the property, and

² Effective May 9, 2013, BBVA eliminated the minimum interest rate clause from home mortgages arranged by individuals who are not consumers.



for the province in which the property is located, with an absolute limit of 250,000 euros. For properties purchased before 1995, the average reference price for 1995 will be used.

The dation in payment shall result in the full cancellation of the debt backed by the mortgage, and of the personal liability of the borrower and their guarantors vis-à-vis BBVA associated with said debt.

If requested by customers when requesting the dation in payment, they may remain for two years in the property as renters, paying an annual rent of 3% of the total amount of the debt at the time of the dation. During this period, the non-payment of the rent shall accrue a default interest of 10%.

BBVA may agree with customers to transfer part of the capital gain generated by the disposal of the property, in exchange for any help they may provide in this transfer.

This option shall not apply in foreclosure cases once the auction has been announced, or when the property is taxed with subsequent charges.

4. IMPROPER APPLICATION OF THE PROTECTIVE MEASURES

Customers who have benefited from the aforementioned protective measures without meeting the requirements set out in Section 1 shall be liable for any damages that may have been incurred, as well as for all the expenses generated by the application of these measures, without prejudice to the liabilities of other kinds to which their conduct may give rise. The amount of the damages and expenses cannot be lower than the benefit unduly obtained by the borrower by applying the measures.

Customers who voluntarily and deliberately seek to achieve or remain in the circumstances referred to for the purpose of obtaining the relief provided by these measures shall also be held liable.

5. OTHER RELEVANT ASPECTS TO CONSIDER

- a) The deeds to amend the mortgage contracts pursuant to the Royal Decree-Law shall be exempt from the variable fee for notarized documents specified in the Property Transfer and Stamp Duty for document duties.
- b) For transfers made as a result of the dation in payment mentioned earlier, for the purposes of the Tax on the Increased Value of Urban Land, the status of substitute taxpayer shall be accorded to the bank that acquires the property, which may not require the borrowers to pay the amount of any tax obligations paid.
- c) Any capital gain to which the borrowers may be subject as a result of the dation in payment shall be exempt from Personal Income Tax.
- d) The notary and registration fees resulting from the cancellation of the real mortgage right in the event of a dation in payment by a mortgage borrower at the exclusion threshold of this Royal Decree-Law shall be discounted by 50%.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

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MOD. THP0645 – 07/2019