



**Mortgage Loan Minimum  
Standards Manual  
April 2004:**

**List of Minimum Standards  
and Suggested Best Practices  
For Financial Institutions**











EBRD Contract No:

C13407/C13408/UKF-2003-07-01

## INTRODUCTION

This list has been produced based on the Minimum Standards and Best Practices outlined in the Mortgage Loan Minimum Standards Manual to allow easy reference and guidance for lending institutions. Further explanation, if required, is provided in the Mortgage Loan Minimum Standards Manual. The Manual was written with the express intention that all banks and finance institutions that have received mortgage lines of credit from EBRD will comply with the minimum standards and best practices in the manual to ensure that the mortgages written can be included in either Mortgage Bond or Mortgage Backed Securities' issues. Banks are therefore recommended to apply the minimum standards and best practices for these reasons. The information contained within this Manual is based on the research undertaken by the writers and the standards that they have experienced in Western European banks. It is not intended to be definitive and there is no doubt that further improvements to mortgage lending practices will be identified as bank's develop further this business.

The Minimum Standards and Best Practices have been divided into the following categories:

-  The Mortgage Process
-  Mortgage Documentation
-  Business Operations
-  Property Valuations
-  Property Ownership
-  Insurance
-  Credit and Risk Management Standards
-  Lending Criteria
-  Security Requirements
-  Management Information/It and Account Management

Within each of these divisions, this list outlines Minimum Standards, Best Practices, reasons for Minimum Standards/Best Practices and investor/rating Agencies requirement.

The minimum standards and best practices introduced in relation to the origination and management of mortgage loans will assist lenders to meet requirements for the possible future issue of Mortgage Bonds or Mortgage Backed Securities. In order that a mortgage book can be considered suitable for the issue of Mortgage Bonds or Mortgage Backed Securities a lending institution must be aware of the likely requirements of both Credit Rating Agencies and Investors. Throughout the manual the experience of the consultants and the outcome of their research is incorporated to provide such likely requirements.

Moreover, the application of such minimum standards and best practices is prudent for the ongoing management of the primary business.

It should be emphasised that this is a list and the Mortgage Loan Minimum Standards Manual should be referred to for more in depth information into each of the areas, as and when required.

AREA	REF	EBRD MINIMUM STANDARDS		EBRD SUGGESTED BEST PRACTICE	POINTS TO NOTE/REASONS FOR BEST PRACTICES AND MINIMUM STANDARDS	INVESTORS /RATING AGENCY ISSUES
1. Lenders Process for Mortgage Lending	MS/01	<ul style="list-style-type: none"> <li>i. The lender must have a written description of all the steps involved in making a mortgage loan, from the initial contact with the client up to the signing of legal agreements, varying the terms of those agreements and up to redeeming the mortgage. This description should comprise a flow chart showing the steps involved and a written description of each of the steps.</li> <li>ii. The lender should have in place procedures to make sure that all staff that play a material part in the process receive training to make sure that they understand and are familiar with it.</li> <li>iii. A clearly defined organisational structure should be in place and include responsibilities, accountabilities and roles in all aspects of the mortgage process.</li> </ul>	BP/01		<p><i>The process from beginning to end is long and detailed. It can be summarised into a 'big picture'. Each member of staff whether they be in a 'front end' sales role or a back office administration role needs to understand the 'big picture' and be competent to discuss it and explain it to customers. This is to avoid later legal or other challenges by the client. The lender needs to demonstrate that they have a fair procedure that makes sure the borrower is fully aware of the commitment they are entering into and has taken the decision to enter into that commitment on a properly informed basis.</i></p>	

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2. Documentation	MS/02	<p>i. Development of all documentation supplied in the Mortgage process must involve suitable <b>qualified legal</b> advisers</p> <p>ii. The <b>Mortgage Application Form</b> should include the following details:</p> <ul style="list-style-type: none"> <li>▪ Personal details, including postal codes</li> <li>▪ Occupation and Income</li> <li>▪ Financial assets</li> <li>▪ Current Debt/Repayments</li> <li>▪ Bank Account Details</li> <li>▪ Details of legal body-according to local legal norms (e.g. Lawyer etc)</li> <li>▪ Current living accommodation</li> <li>▪ Details of property to be purchased/built, including postal codes</li> <li>▪ Amount of Loan required</li> <li>▪ Full costs of transaction</li> <li>▪ Full source of funds to cover the cost</li> <li>▪ Type of Mortgage required</li> <li>▪ Term /repayment schedule</li> <li>▪ The Application Form(s) should meet Consumer Protection legislation and must include explicit consent to potential sale of mortgage to a third party together with inquiries to a credit bureau if existing in relevant country. (see sample application form in appendix)</li> </ul> <p>iii. Lenders must ensure <b>verification</b> of the information in the Mortgage Application by requesting the following documents:</p> <ul style="list-style-type: none"> <li>▪ Completion of standard conditions in application form (including authority for lender to sell on the mortgage to a 3<sup>rd</sup> party)</li> <li>▪ Certificate of Income from Employer</li> <li>▪ State certificate of earnings/tax paid</li> <li>▪ Certified Audited Accounts – (self employed)</li> <li>▪ Independent confirmation tax is up to date</li> <li>▪ Savings/Loan statements</li> <li>▪ Rent accounts (if relevant)</li> <li>▪ Valuation/Structural Survey report.</li> <li>▪ National Identity Cards</li> <li>▪ Marriage Certificate or proof of marriage, as the case may be.</li> <li>▪ Divorce/separation agreements, if relevant</li> <li>▪ Architects certificates – self build products</li> <li>▪ Cadastre excerpts, if applicable</li> </ul>	BP/02	<p><b>Application and Supporting Documents</b></p> <p>The Loan application enables the lender to collect all the relevant information /verifying documentation to adequately assess the application. The interview is a key activity in the assessment process.</p>	<p><b>General</b> <i>Investors and Rating Agencies require evidence that loan decisions are made on the basis of interview supported by collection and/or retention of comprehensive data.</i></p> <p><b>Application</b> <i>The Application and supporting documents should be carefully retained for possible review at a later stage by auditors acting for Investors/Rating Agency in the event of a Mortgage Bond or Securitisation issue.</i></p>
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2. Documentation	MS/02	<p>iv. The Mortgage offer should be documented in an offer letter and/or mortgage loan agreement that is legally binding, complies with consumer legislation, safeguards the customer and the bank and will stand in a court of law. The contents of the letter/agreement should include:</p> <ul style="list-style-type: none"> <li>▪ Name &amp; Address of Customer, including its postal code</li> <li>▪ Address of property being mortgaged, including its postal code</li> <li>▪ Amount of Credit advanced</li> <li>▪ Period of the Agreement</li> <li>▪ Number of repayments</li> <li>▪ Total amount Repayable</li> <li>▪ Cost of the Credit</li> <li>▪ Interest Rate (APR (Annual Percentage Rate if the practice of the respective country has such a banking instrument) This is the equivalent, on an annual basis, of the present value of all loan repayments and charges, future or existing, agreed between the creditor and the consumer.)</li> <li>▪ Security Required</li> <li>▪ General Conditions</li> <li>▪ Consents required in order to enable the sale of mortgage and legal charge to 3<sup>rd</sup> parties, transfer of data to 3<sup>rd</sup> parties and the appointment of a 3<sup>rd</sup> party administrator / servicer, including consent for access to credit bureau's data, if existing in the respective country.</li> </ul> <p>v. The lender must comply with the <b>European Voluntary Code for Pre-sale Information as detailed in appendix.</b></p>	<p>BP/02</p> <p>Although compliance with Consumer Protection Legislation is mandatory, Best practice would include a range of risk warnings/advice on offer letter/loan agreement such as:</p> <ul style="list-style-type: none"> <li>▪ Advice that home is at risk if payments are missed.</li> <li>▪ Advice that interest rates may be adjusted (up and down) from time to time.</li> <li>▪ Advice to obtain independent legal advice before signing the contract.</li> </ul>	<p><i><b>The Offer Letter:</b> The offer letter (when accepted) is the formal contract between the lender and the customer.</i></p>	

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2. Documentation	MS/02	<p>vi. The following at a minimum should be provided at post sale:</p> <ul style="list-style-type: none"> <li>▪ <i>written confirmation of the key terms of the loan once the contract is signed and subsequent notification, at least on an annual basis, in case the structure of fees change (e.g., redemption penalties, statement fee, re-mortgage, early repayment charges etc.)</i></li> <li>▪ <i>annual statements to the borrower detailing the principal outstanding, interest payments made during the year any penalty interest</i></li> <li>▪ <i>written notification if the mortgage is sold to another lender etc</i></li> <li>▪ <i>written notification of early repayment charge / arrears charges lender to have arrears / repossession policy or equivalent internal regulations</i></li> </ul> <p>vii. Documentation by its nature is spread across the totality of the mortgage process. A business will develop a wide range of other documents to cover specific activities and situations. The following is a list of documents the lender should have:</p> <ul style="list-style-type: none"> <li>▪ <i>Consumer guides to process/products</i></li> <li>▪ <i>Relevant marketing material</i></li> <li>▪ <i>Application Form(s) – meeting Consumer legislation/Secondary Market requirements</i></li> <li>▪ <i>Credit Assessment Template/Form/system</i></li> <li>▪ <i>Letter(s) of Offer/Loan Agreement – meeting legislative/ secondary market requirements(including sale to 3<sup>rd</sup> parties.)</i></li> <li>▪ <i>Mortgage Deed – meeting legislative/secondary market requirements</i></li> <li>▪ <i>Certificate of Title Report</i></li> <li>▪ <i>Assignment of Policies Forms</i></li> <li>▪ <i>Valuation/Property Appraisal Form</i></li> </ul>	BP/02		

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3. Operational Structure (i.e. structure of Mortgage Business within Lenders organisation)	MS/03	<p>i. Regardless of organisational structure the lender adopts, it should be supported by necessary checks and controls to ensure policies in relation to mortgages are adhered to.</p>	<p>BP/03</p> <p>i. Research shows that many of the largest and most successful mortgage lenders have <b>centralised</b> their operations with Branches being responsible for business development, sales and Customer Service.</p> <p>ii. Where a <b>decentralised</b> model is adopted, it should be supported by regular audit checks and balances by Head Office to ensure compliance with policy.</p>	<p><i>Where a <b>Decentralised</b> model of operation is in place, branch managers implement bank policy in relation to: application standards and documentation, loan assessment, issue of offer documents, taking and perfecting security, issuing the loan cheque and account and arrears management. The decentralised model would be supported by regular audit checks and balances by Head Office to ensure compliance with policy.</i></p> <p><i>Financial institutions need to demonstrate that capital and shareholder funds are being managed prudently and that adequate risk management controls are in place.</i></p>	<p><i>Rating Agencies and Auditors acting on behalf of Investors will assess the process procedures and standards of lenders.</i></p>

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4. Property Valuation	MS/04	<p>i. Lenders must ensure that a proper property valuation is done by a reputable and 'bank approved' valuer. In assessing the profile of the Valuer, the lender must ensure that a) the valuer is a competent professional and a member of a recognised professional body (if such bodies exist) and b) the valuer has adequate Professional Indemnity Insurance (if self-employed).</p> <p>ii. The valuation report presented to the lender must contain the following details:</p> <ul style="list-style-type: none"> <li>▪ Applicants name &amp; address of the property, including the postal code.</li> <li>▪ Description of property/estimation of age</li> <li>▪ Dimensions/floor area</li> <li>▪ Number/type of rooms</li> <li>▪ Vacant or tenanted</li> <li>▪ Any extensions/Planning permission</li> <li>▪ Services – water, gas</li> <li>▪ If under construction – stage reached/work &amp; time to complete</li> <li>▪ Evidence of subsidence/landslide, if any</li> <li>▪ Rights of way across /through property.</li> <li>▪ Market value</li> <li>▪ Purchase Price</li> <li>▪ Reinstatement/replacement cost</li> <li>▪ Repairs identified</li> <li>▪ Recommendations</li> <li>▪ Signature/qualification/name of firm.</li> <li>▪ Environmental Factors. (see appendix 4)</li> </ul>	BP/04	<p><i>Provides the lender with an independent assessment of the property that is being offered as security.</i></p> <p><i>The LTV should be based on the lower of the market value and the purchase price.</i></p> <p><i>Establishes the value for insurance purposes</i></p> <p><i>Highlights repairs required etc.</i></p>	
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5. Property Ownership/Legal Environment	MS/05	<p>i. The customer should either have:</p> <p>a) <b>Freehold legal title</b> which gives them all rights to use the property without limit in time, except for the right of the State to take over the property in certain circumstances paying compensation based on at least full market value</p> <p>or</p> <p>b) <b>Leasehold title</b> with the term of the lease equal to or not less than 75 years (or, if lower, the legal maximum term under the national law) from the end of the mortgage. Minimum residual should not be less than 20 years so that it will take term of mortgage into account.</p> <p>or</p> <p>c) In the case of a civil legal system, the customer should have <b>in rem right</b> to property.</p>	BP/05		<p><i>Lenders must to be able to grasp tangible security in the event of loan default.</i></p>	<p><i>Investors and Rating Agencies need comfort that the mortgage customer owns the property and it is good security for the loan.</i></p>

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6. Insurance	M/06	<p>i. <b>Life Assurance:</b> A Life Assurance policy on the life/lives of the borrower(s) to cover the outstanding principal for the term of the loan. The policy to be assigned to the lender and its value will decrease in line with outstanding balance of the loan.</p> <p>ii. <b>Buildings Insurance:</b> An <u>index linked</u> property policy to cover the replacement/reinstatement value* of the property. The initial cover to be in line with the replacement/reinstatement cost in the valuer's report. This cover to be increased in line with a suitable index of construction costs. The policy to be in the joint names of the customer and the lender or the interest of the lender should be noted in the insurance policy, as the case may be.</p> <p>*This is the amount the property should be insured for each year and it should cover the replacement cost of the building should it be damaged or destroyed. This cost is linked to either a construction industry index of costs or to the Consumer Price Index. In addition to the main building the following the following should be included in the insured amount – out buildings, site clearance, temporary re housing costs and professional fees.</p>	<p>i. It is prudent for customers to insure the contents of their homes.</p> <p>ii. (MIG): If the lender intends to provide higher LTV loans than what is published in the Lending Policy Loan to Value criteria (LTV) then a Mortgage Indemnity Guarantee (MIG) policy arrangement should be put in place. This enables the lender to lend more/customer borrow more with the risk being underwritten by an insurer. The customer pay the premium. Different lenders have different LTV standards. Best practice indicates that mortgage loans above 70% LTV should be supported by MIG.</p> <p>iii. House Builders guarantee scheme: In many countries the construction industry working with Government guarantees (limited in time/cover) for the quality of new residential properties. Builders in the scheme guarantee minimum standards and properties in course of construction are inspected.</p> <p>iv. Where there is uncertainty regarding title, Property title insurance should be sought, if available.</p> <p>v. Mortgage Payment Protection Insurance: In the event of loss of job or income this policy will continue to meet payments for a period of time.</p>	<p><i>Protection provided for the customer /lender/ investors.</i></p> <p><i>If the customer dies the life policy will repay the remaining mortgage.</i></p> <p><i>If the building is destroyed or damaged the building insurance policy will provide replacement / renovation costs.</i></p>	<p><i>Rating agencies will require building insurance for reinstatement value and life assurance is a requirement in benchmark pools</i></p>

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7. Credit and Risk Management Standards	MS/07	<p>i. <b>Credit Policy</b> - The lender must have a defined <b>Credit Policy</b> and in this credit policy it must refer to the parameters on which the lender carries out its mortgage lending activities. Primarily, the Credit Policy must state that:</p> <ul style="list-style-type: none"> <li>• The policy is reviewed regularly to reflect business objectives and market conditions.</li> <li>• Mortgage lending is based on 'ability to repay'.</li> <li>• There is adequate risk/reward ratio. However, irrespective of the reward the loan will not be considered if it carries an unacceptable level of risk. The interest rate charged might vary to reflect the risks applying in a particular case that may include higher LTV ratios, Higher PTIs, smaller loans or construction loans as opposed to purchase loans. But for each risk factor the lender should set a ceiling above which it will not lend. Each bank in their policy documents what the risk/reward ratio will be.</li> <li>• The Interest rate charged to customers should be adequate to cover the bank's cost of funds plus a suitable margin.</li> <li>• Where the interest rate charged to the customer is variable, it should be linked to the relevant reference rate for the loan currency (e.g.Libor, Euribor, etc)</li> <li>• A policy not to deal with known risky/fraudulent customers</li> <li>• Explicit lending criteria in accordance with minimum standards outlined in chapter 8.</li> </ul>	BP/07	<p><i>Financial institutions need to demonstrate that capital and shareholder funds are being managed prudently and that adequate risk management controls are in place.</i></p> <p><b>Loan Assessment:</b> Loans are underwritten in accordance with clearly defined standards. Risk is taken in line with published policy</p> <p><b>Credit Risk Management:</b> Prudent business management.</p> <p><b>Arrears Management and Repossession:</b> Good Business Practice</p>	<p><i>A financial organisation must have a documented credit policy to establish the risk parameters under which it operates. It gives clear guidance and direction to staff and demonstrates to potential Investors and Rating Agencies the type and style of risk management in place. It is evident to all external parties that prudent, structured risk management practices are in place.</i></p>

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7. Credit and Risk Management Standards	MS/07	<ul style="list-style-type: none"> <li>• All lending decisions to be made on the basis of verifiable information and documentation provided rather than subjective judgement.</li> <li>• It must set standards, which ensure that underwriters and account managers apply the policy initially at credit assessment stage and subsequently throughout the life of the mortgage.</li> <li>• It includes the approach to 'Exception' applications, the declines and appeals procedures.</li> <li>• It must include expected lending skills standards, lending authorities, tiered discretions, training requirements and succession planning.</li> <li>• It sets out policy on Arrears management, Repossessions, Loan Loss Provisions and Write offs.</li> <li>• It covers and includes Environmental Factors</li> </ul>	BP/07			

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7. Credit and Risk Management Standards	MS/07	<p>ii. <b>Loan Assessment</b> – The lender should employ the following basic steps in critically assessing a loan application. Assess if:</p> <ul style="list-style-type: none"> <li>▪ <i>Required information/documentation is in place.</i></li> <li>▪ <i>Application matches the standard criteria</i></li> <li>▪ <i>Customer has the ability to repay</i></li> <li>▪ <i>Customer has clean credit history</i></li> <li>▪ <i>Property is suitable for mortgage</i></li> <li>▪ <i>No legal or other impediments (bankruptcy etc)</i></li> <li>▪ <i>Costs and funds available match.</i></li> </ul> <p>iii. An approach to <b>Credit Risk Management</b> which will include the following:–</p> <ul style="list-style-type: none"> <li>▪ <i>Detailed data capture/verifying procedures</i></li> <li>▪ <i>Detailed analysis/lending decisions.</i></li> <li>▪ <i>Realisable security</i></li> <li>▪ <i>Proactive account management</i></li> <li>▪ <i>General/Specific provisions in place.</i></li> </ul>	BP/07			

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7. Credit and Risk Management Standards	MS/07	iv. Lenders must have an <b>Arrears Management Policy</b> for Mortgage Lending Risk Framework. This should be part of the overall Credit Policy and include specific provision for: <ul style="list-style-type: none"> <li>▪ <i>Well trained team/familiar with laws.</i></li> <li>▪ <i>Clearly documented process.</i></li> <li>▪ <i>Overall approach to arrears/face to face contact/analysis of reasons/outline solutions.</i></li> <li>▪ <i>Follow up procedures/ action is always specific/measurable/achievable.</i></li> </ul>	BP/07		
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8. Lending Criteria	MS/08	<p>i. The lender must adopt the following criteria for mortgage loans:</p> <p><b>Purpose:</b> Purchase, remortgage, build or improve Principal Private Dwelling or “Buy-to –Let” houses or apartments.</p> <p><b>Product Type:</b> Repayment/Annuity Mortgage</p> <p><b>Property location:</b> Within the State</p> <p><b>To Whom:</b> Citizens and expatriates resident in the state. Citizens resident outside the state purchasing within the state</p> <p><b>Loan Term:</b> Min 5 years/Max 25 years (subject to funding)</p> <p><b>Age:</b> Min – age of legal contract. Max- in principle 70 years unless demonstrable evidence of sufficient pension and/or other incomes to support mortgage payment at end of mortgage.</p> <p><b>Amount:</b> Minimum /Maximum Amount Stated</p> <p><b>Affordability test:</b> Use of Net Disposable Income (NDI), Debt Service Ratio (DSR) model or Payment to Income (PTI). [This model should stress test the customer’s ability to repay by adjusting the interest rate upwards by 3%. The model should have a floor limit of funds available for living expenses.]</p> <p><b>Loan to Value:</b> Dependent on Policy – max 75- 80% LTV unless supported by a Mortgage Indemnity Guarantee.</p> <p><b>Property Valuation:</b> Carried out by independent professional with adequate Professional Indemnity Insurance. The Purchase price may not always agree with the valuer’s estimation of current value. Lenders should <u>always</u> lend on the lesser of these two figures.</p> <p><b>Tenure of Property:</b> Freehold or Leasehold with min 75 years unexpired term or legal maximum, if lower (seMS/05).</p> <p><b>Security Required:</b> First legal charge over the property Assigned life assurance for the amount and Term of the Mortgage, Buildings insurance in the joint names of the lender and customer to cover the reinstatement cost of the property. This policy to be index linked .</p> <p><b>Verification:</b> Supporting documents as listed in Chapter 2.</p>	BP/08	<p>i. Lenders should also consider introducing Geographic and Employer spread parameters. Meaning setting limits on the percentage of the portfolio that can be in a particular locality or employees of a particular employer. Level of geographic diversification will depend on city size and population</p> <p>ii. Max 80% LTV unless supported by a Mortgage Indemnity Guarantee.</p>	<p><i>Underwriting Criteria is the practical application of the Credit Policy and a key aspect is to establish the applicants ‘Ability to Repay’.</i></p>
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9. Security Requirements	MS/09	<p>i. <b>First Legal Charge</b> registered over the property for the amount of the mortgage plus interest. This charge to be assignable to a third party based only on the consent obtained at the signing of the offer letter/mortgage loan agreement.</p> <p>ii. <b>Life Assurance*</b>: A Life Assurance policy on the life/lives of the borrower(s) to cover the outstanding principal for the term of the loan as and when available in the local market. The policy to be assigned to the lender and its value will decrease in line with outstanding balance of the loan.</p> <p>iii. <b>Buildings Insurance*</b>: An <u>index linked</u> property policy to cover the replacement/reinstatement value of the property. The initial cover to be in line with the replacement/reinstatement cost in the valuer's report. This cover to be increased in line with a suitable index of construction costs. The policy to be in the joint names of the customer and the lender</p> <p><i>* as outlined in MS/06</i></p>	<p>i. A <b>Mortgage Indemnity Guarantee (MIG*)</b>. This would become a Minimum Requirement if the lender decides to lend outside of published LTV policy.</p> <p>ii. Lender should rely on the ability of the borrower to repay and the security provided by the property, and only in exceptional circumstances require further support such as liens or guarantees</p> <p><i>* as outlined in BP/06</i></p>	<p><i>Prudent banking practice. The loan would not be approved at the outset unless the lender is satisfied that the customer has the 'ability to repay'. Security is a fall back position.</i></p>	<p><i>In the event of a Mortgage Bond or Securitisation issue a full review will be undertaken of the security and documentation supporting the proposed pool of mortgages</i></p>
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10. Management Information, IT and Account Information	MS/10	<p>i. <b>Mortgage Accounting System:</b> Comprehensive mortgage accounting system which would included the following functions within guidelines of credit policy:</p> <ul style="list-style-type: none"> <li>▪ Ability to “tag” mortgages as belonging to a particular cover pool or as having been transferred to a particular SPV.</li> <li>▪ Facility to use internal own bank Standing Orders/Direct Debits, if available.</li> <li>▪ Facility to amend payments/notify customers when rates change.</li> <li>▪ Facility to switch from variable to fixed rate and vice a versa.</li> <li>▪ Facility to accept lump sum reductions/repay early.</li> <li>▪ Facility to remove/add names to accounts.</li> <li>▪ Management of account on death of a borrower.</li> <li>▪ Facility to monitor/follow up arrears.</li> <li>▪ Facility to carry out regular/annual reviews.</li> <li>▪ Facility to provide statements to the customer</li> <li>▪ Systems must also have an adequate disaster recovery plan.</li> </ul>	BP/10			<p><i>In terms of IT systems for Mortgage Account Management we look at what Fitch IBCA specifically review when they assess mortgage originators and servicers it would include:</i></p> <ul style="list-style-type: none"> <li>▪ Core systems functionality.</li> <li>▪ Systems integration and interfaces.</li> <li>▪ System security /backup/retention</li> <li>▪ Disaster recovery and business resumption plans/testing.</li> <li>▪ Data integrity.</li> <li>▪ Use of automated underwriting systems.</li> <li>▪ Web-based applications.</li> <li>▪ Credit scoring.</li> <li>▪ Risk management modelling.</li> <li>▪ Automated valuation models.</li> <li>▪ Integration of these systems as well as other business lines.</li> </ul>

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10. Management Information, IT and Account Management	MS/10	<p>ii. <b>Reporting:</b> Good reporting information which is accurate, timely and relevant. Monthly/Quarterly/Annual reports to be available by Branch/Area/Total Bank for:</p> <ul style="list-style-type: none"> <li>▪ Mortgage Book size/split by products (total value, total volume, average term, average interest rate, average LTV, average PTI)</li> <li>▪ Share of National Mortgages (where available)</li> <li>▪ Market Segments (see chapter 4 in Part Two)</li> <li>▪ Portfolio share by sales channel (See chapter 3 in Part Two)</li> <li>▪ Growth Profile</li> <li>▪ Performance v Targets</li> <li>▪ Applications v Approvals v Declines v Drawdowns</li> <li>▪ Application Pipeline</li> <li>▪ Arrears Profile (Split into 7, 14, 30, 60, 90 and 120 days)</li> <li>▪ Maturity Profile</li> <li>▪ Geographic Profile/Employer Profile</li> <li>▪ Profitability</li> <li>▪ Historic Data Retention</li> <li>▪ Ability to produce reports as required by rating agencies and investors. (See Appendix 6)</li> </ul>	BP/10	<p><b>Reporting and Monitoring:</b></p> <p><i>The business cannot be successful unless there is regular analysis of current state v target.</i></p> <p><i>Remedial action may be required and if we don't know where we are now it will be very difficult to get to where we want to be.</i></p> <p><i>Rating Agencies and Investors will require detailed reports on the lenders mortgage portfolio in order to rate/buy mortgage bonds or mortgage backed securities. (see section on what rating agencies think)</i></p>	<p><i>Some examples of IT information Requirements:</i></p> <ul style="list-style-type: none"> <li>▪ Accurate geographic location</li> <li>▪ Customer history on mortgage and for example additional equity withdrawal</li> <li>▪ Accurate recording of the customers financial position</li> <li>▪ Details on property usage such as owner occupied; rented out.</li> <li>▪ Type of mortgage product</li> <li>▪ Loan to value ratio</li> <li>▪ Original valuation and most up to date valuation</li> </ul>

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10. Management Information, IT and Account Management	MS/10	<p>iii. <b>Monitoring Mortgage Account:</b> The following should be adhered to in order to ensure efficient monitoring of accounts:</p> <ul style="list-style-type: none"> <li>▪ <i>Approvals are converted into drawdowns</i></li> <li>▪ <i>Security is in order before drawdown.</i></li> <li>▪ <i>Repayments are up to date.</i></li> <li>▪ <i>Premiums on Life policies are up to date</i></li> <li>▪ <i>Premiums on Buildings policies are up to date.</i></li> <li>▪ <i>Buildings Policies are index linked</i></li> <li>▪ <i>Insurers report incidents of cancelled Life/Buildings policies.</i></li> </ul>	BP/10			