

## More sustainable granting of mortgage loans

Basel, 28 October 2011 – The Swiss Bankers Association (SBA) welcomes the FINMA Board of Directors' approval of the revised guidelines governing the examination, valuation and treatment of mortgage-backed loans, because the guidelines do still not impose quantitative standards and the principle of self-regulation has been enhanced.

The SBA has amended the guidelines governing the examination, valuation and treatment of mortgage-backed loans. The guidelines provide the Swiss banks with the basis for granting mortgage loans, within the framework of self-regulation. The Swiss Financial Market Supervisory Authority FINMA encouraged the amendments to the guidelines in the interest of being prepared early for potential extreme developments on the mortgage market. The FINMA Board of Directors approved the amended guidelines, which will come into force on 1 January 2012.

Of key importance is the fact that the guidelines will continue to focus on qualitative parameters in future. The guidelines do not stipulate quantitative standards for granting mortgage loans, as this would hamper healthy competition and thus be disadvantageous to clients. Naturally, every bank is free to define stricter standards for itself. In revising the guidelines, special attention was placed on the issue of long-term affordability. The calculation of affordability now takes a more sustainable approach to treating income and expenditure by applying stricter measures to the financial burden relative to the client's income. The amended guidelines formulate the so-called "exceptions to policy", which take account of special client needs, in more concrete and detailed terms. A new form of bank-internal reporting is to be introduced which ensures that banks have comprehensive, detailed information on this business and can better recognise high-risk positions. This will heighten risk consciousness and improve risk assessment. Another focus of the amendments is on regulating various types of real estate. In future, not only will distinctions be made between the different types of real estate – such as owner-occupied residential property versus investment property – but also concerning creditworthiness and affordability with regard to the type of real estate in question. The guidelines formulated by the SBA are the basis of the bank-internal regulations with which banks determine their own mortgage lending practices.

Claude-Alain Margelisch, CEO of the SBA, commented positively, saying: "The new guidelines provide the basis for long-term, sustainable mortgage lending that is commensurate with the risks. In this way, the banks are making a fair and viable contribution to preventing excesses from arising in the real estate market. The SBA remains sceptical of quantitative standards."

The total volume of mortgages granted to Swiss borrowers was CHF 760.1 billion at the end of 2010. This represented an increase of 4.6% as compared to 2009.

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**Swiss Bankers Association press release**

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At [www.swissbanking.org](http://www.swissbanking.org) you can find the wording of the guidelines governing the examination, valuation and treatment of mortgage-backed loans (at present, only in German).

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