

Tax and Legal Alert

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NBR Regulation no. 24/2011 on retail crediting

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NBR Regulation no.24/2011 regarding loans granted to individuals (the “**Regulation**”) was published in the Official Gazette no. 767 dated 31 October 2011. The main changes brought to NBR Regulation no. 3/2007 include:

1. The Regulation is also **applicable to branches of EU-based credit institutions** operating in Romania.
2. Specific provisions have been introduced for **(i) real estate investment loans** - representing a loan which (a) is secured by real estate and (b) is granted for acquiring or retaining ownership rights over land and / or a construction, where the loan is for the rehabilitation, modernisation, consolidation or expansion of buildings or plots of land. This category also includes loans granted exclusively for the purpose of reimbursing another real estate investment loan); and **(ii) consumer loans** - defined as any type of loan, other than real estate investment loans.
3. The following types of loans are excluded from the scope of the present Regulation:
 - Loans for medical purposes, for cause of death and for studies;
 - Amounts secured throughout the entire duration of the loan by means of collateral deposits;
 - Loans granted exclusively for restructuring loans granted by the same lender and which were outstanding at the moment of the restructuring.
4. Specific values are provided for exchange rate shock, income shock and interest rate shock, with a view to substantiating the maximum levels allowed for the total degree of indebtedness for consumer loans.
5. **For consumer loans denominated in foreign currency or indexed based on a foreign currency**, the applicant must dispose of personal and / or real guarantees at a **minimum level of 133% of the value of the loan**.
6. **Consumer loans** may be granted for a **period up to five years**.
7. Real estate investments loans may not exceed:
 - 85% of the collateral mortgage value, for loans in RON;
 - 80% of the collateral mortgage value, for loans in a foreign currency, if the debtor obtains eligible income in the currency used for the loan;
 - 75% of the collateral mortgage value, for loans in EUR, if the debtor does not obtain eligible income in EUR.

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- 60% of the collateral mortgage value, for loans in other foreign currencies, if the debtor does not obtain eligible income in those respective currencies.
- 8. The provisions of paragraphs 5, 6 and 7 do not apply to loans granted exclusively for the reimbursement of debts related to loans contracted before the entry into force of the Regulation.
- 9. Within 90 days after publication in the Official Gazette, lenders have to submit their internal regulations, modified pursuant to the present Regulation, for approval by the National Bank of Romania – Supervision Department.
- 10. Prior to the approval by the NBR of their internal regulations, lenders which currently perform lending activity in relation to individuals based on internal regulations that have not been approved by the NBR have to observe a maximum level of indebtedness of 35% for their debtors, with the exception of consumer loans granted in foreign currencies, other than the currency in which the debtor obtains eligible income, in which case the maximum level of indebtedness is 10%.

The Regulation enters into force on the date of its publication in the Official Gazette. As a result, NBR Regulation no. 3/2007 regarding credit risk limitation for loans granted to individuals is repealed on that date.

[Source: Romanian Official Gazette, Part 1, No. 767/31.10.2011]

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