

Simplification of Customer Agreements

Introduction

1. A customer who contracts with a banking corporation for banking services shall give his or her explicit consent to the agreement that regulates the totality of terms that apply to the contracting parties.

2. To help customers familiarize themselves with the material terms of the banking service that they require, it is determined that a banking corporation shall provide a condensed presentation, on Page 1 of the agreement, of the varying and material terms and conditions that pertain to the specific contract, as set forth in this Directive.

3. Said Page 1, which is an integral part of the agreement, does not necessarily provide a full accounting of the details that a banking corporation must include in its various agreements by law. Therefore, it does not absolve the customer of the need to review the agreement in all its sections.

Incidence

4. This Directive shall apply to loans to which the Fair Credit Law, 5753-1993 (hereinafter: “the Fair Credit Law”), applies, as well as to housing loans.

Definitions

5. **“Housing loan”**—as defined in Proper Conduct of Banking Business Directive no. 451

“Customer”—a “borrower” as defined in the Fair Credit Law.

“Banking corporation”—a banking corporation, auxiliary corporation, or acquirer as defined in the Fair Credit Law.

Condensed presentation of varying and material details in credit agreements

6. A banking corporation shall present the customer, on Page 1 of the credit agreement, with the varying and material terms and conditions for the issue of said credit, in accordance with the wording and structure set forth in the appendices to this Directive, maintaining this mode of presentation to the greatest possible extent under the circumstances at hand. The forms shall be tailored to the various credit products that the banking corporation offers.

7. Without derogating from the provisions of any law, if a banking corporation issues credit on a date other than that of the execution of the credit agreement, it shall present the customer with Page 1 of the credit agreement once again, close to the date on which the credit is issued, after all details that were revised after the execution of the credit agreement have been updated. The data on the actual cost of the credit shall not be recalculated, and shall be presented as it was on the date of execution of the agreement, alongside the date it was calculated.

Guidelines for completing the Appendices

8. The banking corporation shall present, on Page 1 of the agreement, only the loan or the facility for which the customer has applied.

9. The banking corporation shall present only the fields that are relevant to the specific credit.

10. In loans comprised of several variables and in a credit-facility agreement comprised of several credit facilities, the information shall be specified on said page for each variable or facility, as the case may be, on successive lines or in adjacent columns. In loans that include several variables, the instructions of this section shall not apply regarding the field “rate of the actual cost of the credit”, which is to be calculated relative to each variable in the loan together.

11. Before the credit agreement is executed, the expiration date of the offer shall be noted under the date of the issue of the document.

12. Before credit, including an incremental loan, is actually given, the banking corporation shall present, on Page 1 of the agreement, in the section titled “Credit Details/Credit Facility,” only the following data, as the case may be, on the assumption that the loan in total is given on the day the calculation is made: “Sum of credit/Sum of credit facility,” “Term of credit / Expiration of credit facility,” “Sum of first expected periodic payment,” “Sum due by end of loan term exceeding credit sum received by borrower,” and “Total due by end of term.”

Alongside the presentation of said data, the banking corporation shall note that the data are correct as of the date of their presentation, whether the credit was taken on said date, and that the data may change commensurate with the date on which the credit is actually given.

13. In regard to the “Fixed Interest Rate” in the “Interest and Indexation” section—in cases where the fixed rate is based on a mechanism that shall be determined when the agreement is executed, said mechanism, as of the day on which the document is presented, shall be presented, along with a note to the effect that in the event of changes, the interest rate shall be determined on the day of the execution of the agreement in accordance with said mechanism.

14. In regard to the “Indexation Base” in the “Interest and Indexation” section—if the indexation base is not known on the date the document is presented, the banking corporation may reference the relevant section in the contract instead of presenting this information on Page 1 of the agreement. In this case, the following note shall be added: “Not known on the date of presentation of this document.”

15. In cases where no indexation is used, the expression “The credit is not indexed” shall be noted in the place reserved for the presentation of indexation information.

16. In the column where the relevant section of the agreement is itemized, reference shall be made to said section insofar as the section contains information additional to that

appearing on Page 1 of the agreement. If nothing in said column has the effect of adding information, the field may be blacked out.

17. When the credit facility of a credit card can be used in several possible ways, the data shall be presented on successive lines so that, in each field that the banking corporation must fill in, the relevant information for the various possibilities shall be presented on successive lines. The banking corporation shall make it clear that the limit of the credit facility is inclusive of all possibilities.

18. In cases where the lender that issues a credit card and the operator of the card are different entities, the operator's name, ID number, and address shall be noted in addition to those of the issuer.

19. In cases where the borrower / credit-card owner is not the cardholder, the name, ID number, and address of the cardholder shall be noted in addition to those of the borrower / credit-card owner.

“Housing loans

20. Without derogating from the above, in a housing loan the following action should be taken in Appendix 1—

(1) The figure of the rate of the actual cost of the credit shall be calculated in accordance with the formula determined in Annex 4 of Directive 451, “Calculating the overall forecast interest rate (the actual cost of the credit). With that, the guidelines set in Sections 3 and 4 of Annex 4 shall not be applied.

(2) The data on “amount to be paid through the end of the loan above the amount of credit provided to the borrower” shall be the difference between “forecast total amount expected that will be paid through the end of the loan period” as determined in Directive 451, net of the amount of the loan. The ending clause “(does not include indexation)” shall be deleted.

(3) The data on “Total to be paid through the end of the loan term” shall be the data “Total forecast expected amount that will be paid until the end of the loan term” as determined in Directive 451. The ending clause “(does not include indexation)” shall be deleted.

Updates

Circular 06 no.	Version	Details	Date
2566	1	Original directive	July 10, 2018
2574	2	Revision	March 7, 2019
2716	3	Revision	June 12, 2022

Appendix 1—Condensed Presentation of Main Details in Credit Agreement

For your information, the details appearing below are given in abridged form only. For further information, please refer to the other sections of the attached agreement.

Credit agreement	Date:	For further details, see Section xx of the agreement.
General details		
Lender's name and ID number		
Lender's address		
Borrower's name and ID number		
Borrower's address		
Loan guarantor's name and ID number		
Loan guarantor's address		
Credit details		
Credit sum + credit currency		
Credit term		
Credit extended on (date)		
Credit sum received by borrower		
Sum of first expected periodic payment		
Date of first payment		
Sum due by end of loan term exceeding credit sum received by borrower (not including indexation) Total due by end of term (not including indexation)		
Itemization of payback	(See payback schedule)	
Interest and indexation		
Fixed interest		
Nominal interest rate, annualized		
— Adjusted interest rate (annualized rate that takes compound interest into account)		
Variable interest		

— Components of variable interest		
Interest rate as of date on which this document is presented, annualized (“nominal interest rate”)		
— Adjusted interest rate (annualized rate that takes compound interest into account)		
— Base interest rate		
— Principles for change in interest rate		
— Frequency of rate change and date of next rate change or events that will trigger rate change		
Indexation		
— Type and rate of indexation		
— Indexation base and date		
— Components to which indexation applies		
Fees and related expenses on account of extension of credit (not including expenses related to debt-collection proceedings)		
Additional information		
Existence and terms of early-payback eligibility		
Lender’s right to invoke remedies against borrower for failure to make timely payback and terms for immediate call of loan		
Identity of supervisor of lender’s activity		

Further information in accordance with the Fair Credit Law, 5753-1993:		
Cost of credit	Effective cost of credit rate	Rate of cost of interest on credit
Interest rate on arrears	Interest rate on arrears	Maximum delinquency interest rate

Appendix 2—Condensed Presentation of Main Details in Account Credit Facility and Credit-Card Facility Agreement

For your information, the details appearing below are given in abridged form only. For further information, please refer to the other sections of the attached agreement.

Account / credit-card credit facility agreement	Date: _____	For further details, see Section xx of the agreement.
General details		
Lender's / card issuer's name and ID number		
Lender's / card issuer's address		
Borrower's / card owner's name and ID number		
Borrower's / card owner's address		
Guarantor's name and ID number		
Guarantor's address		
Credit facility / facilities		
Type of credit facility	Account facility / credit-card facility / other	
Sum and currency of credit facility		
Facility valid until (date)		
Date of creation of credit facility		
Interest and indexation		
Fixed interest		
Nominal interest rate on credit facility—annualized		
variable interest		
Components of variable interest		
Interest rate as of date on which this document is presented—annualized		
— Base interest rate		
— Principles for change in interest rate		

— Frequency of rate change and date of next rate change or events that will trigger rate change		
Indexation		
— Type and rate of indexation		
— Indexation base and date		
— Components to which indexation applies		Principal / interest
Fees and related expenses on account of extension of credit (not including expenses related to debt-collection proceedings)		
Additional information		
Existence and terms of early-payback eligibility		
Lender's right to invoke remedies against borrower for failure to make timely payback and terms for immediate call of loan		
Identity of supervisor of lender's activity		

Further information in accordance with the Fair Credit Law, 5753-1993:		
Cost of credit	Effective cost of credit rate	Rate of cost of interest on credit
Interest rate on arrears	Interest rate on arrears	Maximum interest rate on arrears

Appendix 3—Condensed Presentation of Main Details in Note Discounting Agreement

For your information, the details appearing below are given in abridged form only. For further information, please refer to the other sections of the attached agreement.

Note discounting agreement	Date: _____	For further details, see Section xx of the agreement.
General details		
Lender's name and ID number		
Lender's address		
Borrower's name and ID number		
Borrower's address		
Guarantor's name and ID number		
Guarantor's address		
Interest rate on arrears, as defined in the Fair Lending Law, 5753-1993		
Maximum interest rate on arrears, in the sense of this term in the Fair Lending Law, 5753-1993		
Fees and related expenses on account of extension of credit (not including expenses related to debt-collection proceedings)		
Additional information		
Existence and terms of early-payback eligibility		
Lender's right to invoke remedies against borrower for failure to make timely payback and terms for immediate call of loan		
Identity of supervisor of lender's activity		