



May 1, 2016

Circular Number C-06-2499

To:

The banking corporations – Attn: CEO

Issue: Limitations on issuing of housing loans
(Proper Conduct of Banking Business Directive no. 329)

Introduction

1. With the objective of supporting the ability of eligible individuals to participate in projects for the purchase of dwellings at a reduced price, such as “Target Price” and “Buyer’s Price”, and in accordance with the agreement between the Bank of Israel and the Ministry of Finance, the need has arisen to revise the Directive regarding the calculation of the financing rate for the purchase of a dwelling.
2. Following consultation with the Advisory Committee on Banking Business, and with the approval of the Governor, I have decided to revise the Directive as detailed below.

The amendment to the Directive

3. Section 1 - Definitions:
The definition of “Reduced price dwelling” has been added - a sole dwelling, purchased at a reduced price in a project through which a discount on land is given, such as “Target Price” or “Buyer’s Price”.
4. Loan-to-value (LTV) limitation
Section 4a has been added, setting out the following rules for calculating the value of the property for a loan for a reduced price dwelling:
 - 4.1 A banking corporation is permitted to base the value of the property on an assessor’s evaluation instead of on the actual purchase price, provided that the value does not exceed NIS 1.8 million.
 - 4.2 For dwellings with a value exceeding NIS 1.8 million, the value shall be based on NIS 1.8 million or the purchase price, whichever is higher.
 - 4.3 The purchaser must pay at least NIS 100,000 of his own funds.



4.4 Where the program includes fines for breach of the terms of the program, these amounts are to be deducted from the value of the dwelling if the bank does not hold rights that supersede the rights of the State to obtain the fine upon realization of the property.

Effective Date

5. The amendments to the Directive shall apply from the date of publication of this Circular.

File update

6. The updated pages of the Proper Conduct of Banking Business file are attached. The following are the update instructions:

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Sincerely,

Dr. Hedva Ber
Supervisor of Banks