

Bank-Customer Division
Banking Supervision Department

Jerusalem, July 19, 2023

Circular No. C-06-2755

Attn: Banking corporations

Re: Procedures for Extending Housing Loans
(Proper Conduct of Banking Business Directive 451)

Introduction

1. This update is intended to improve the process of executing a prepayment of a housing loan, including through a loan from another banking corporation or from a loan from a nonbank institutional entity (loan refinancing).
2. After consulting with the Advisory Council on Banking Business Affairs and with the approval of the Governor, I have established this Directive.
3. This regulation is not accompanied by the publication of a report in line with the Principles of Regulation Law, 5782-2021, in view of the extensive activities carried out before the Law went into effect, in accordance with the Governor's decision.

Main amendments to the Directive

4. In the section on definitions, a definition for the term "Institutional lender" was added. Accordingly, changes were made in Sections 15b, 19a, and Addendum 3.
5. In the title of Section 15b, the words "request to carry out a prepayment" shall be replaced by "borrower's notification of his intention of carry out a prepayment". Pursuant to that, adjustments were made in the wording of the Section.
6. In Section 15b, Subsections (f)–(g) are added following Subsection (e).
7. Section 15b1 is added following Section 15b.

Explanatory remarks

In accordance with the update, a borrower will be able to notify of his intention to carry out an early repayment of a loan online or by phone, and can also receive the required information and documents according to the section through accepted methods, including online, in accordance with the borrower's decision, in a format that allows saving and printing.

Regarding the process of refinancing the loan via a loan from another banking corporation, the borrower will be able to choose whether to notify of his intention to carry out a prepayment directly to the original banking corporation, or via the new banking corporation. It should be clarified that this does not derogate from the requirements imposed on the banking corporations nor from the customer's rights, in accordance with the Banking (Early payment of a housing loan) Order, 5762-2002. In this regard, it should be clarified that the providing of said notification to the new bank

does not derogate from the original banking corporation's requirements, including the requirements to provide all the required information to the customer.

In addition, the borrower will not be required to go to the original bank's branch in order to receive the documents required in the process of refinancing the loan. These documents are to be transferred by the original banking corporation directly to the new banking corporation. This is whether the borrower notified of his intention to make an early repayment directly to the original banking corporation or if the customer notified via the new banking corporation.

The banking corporations are required to establish processes and carry out the required activities in order to enable the borrower to provide notification of his intention to make an early repayment through the new banking corporation, without derogating from the customer's rights, including with regard to the number of days to give early notice in order not to be charged a fee, and in order that it will be possible to rely on the documents transferred between them in order to complete the loan refinancing process.

In addition, in view of the entry of additional entities into the housing loans sphere, reference is added to repaying the loan through a loan from an institutional lender that is not a banking corporation. In such a case, where the said lender contacts the banking corporation with a request to act in the same manner the banking corporation acts vis-à-vis another banking corporation, as per the directives of Section 15b1, using the same processes and existing infrastructures to do so, including at the same level of security and reliability, the banking corporation shall not unreasonably refuse, and will work to establish joint work processes vis-à-vis the lender within a reasonable amount of time, taking into account the required preparation.

The sections that were added establish guidelines that are intended to ease the execution of an early repayment of a housing loan, including by refinancing the loan. The provisions of these sections do not derogate from the directives of the Banking (Service to the Customer) Law, 5741-1981, which enable the customer to approve in writing to the new bank to manage for him all the processes related to the switch between banking corporations, including with regard to the providing notices on the intent to carry out the early repayment to the new bank.

Commencement

8. The update to the Directive shall go into effect 1 year from its publication.

Explanatory notes

As the need to improve the loan refinancing process requires cooperation between the banking corporations and among the entities that list a lien on the asset as a security for the loan, time was given in to prepare for this.

Regarding Section 15b1(b), it should be clarified that the said debt shall apply only after defining the joint work processes and the banking corporations shall begin to act in accordance with Section 15b1(a).

Update

9. Updated Proper Conduct of Banking Business Directive file pages are attached.
Following is the update:

Remove page

(07/22) [21] 451-1-35

Insert page

(07/23) [22] 451-1-37

Respectfully,

Yair Avidan

Supervisor of Banks