
January 25, 2015

Circular Number C-06-2455

To:

The banking corporations—attn: CEO

Issue: Limitations on Issuing Housing Loans
(Proper Conduct of Banking Business Directive 329)

Introduction

1. In light of accumulated experience, as well as enquiries from banking corporations, the need has arisen to update the Directive in several areas. In parallel with the publication of this Circular, we are also publishing an update to the Frequently Asked Questions file dealing with Directive 329.
2. Following consultations with the Advisory Committee on Banking Business, and with the approval of the Governor, I have set out the revision of the directive as follows.

Amendments to directive

3. Section 1—Definitions

In the definitions of “Sole dwelling” and “Replacement dwelling”, the reference to the Land Taxation Law has been updated, to prevent a lack of correlation between the definitions in Directive 329 and the definition in the law.

4. Appendix A-Section 1.3 in the definition of payment to income ratio- recognition of a relative's income

Section 1.3 in the definition of payment to income ratio was revised, in order to clarify the following two issues:

- 4.1 Not more than half of the monthly disposable income of a relative that is not purchasing a right in the land, even if the relative signs as a borrower on the loan agreement, may be recognized.
- 4.2 The full monthly disposable income of the borrower's spouse may be recognized, if said spouse meets all the conditions set in Section 1.3 of the definition, and resides with the borrower in the dwelling.



Effective date

5. The effective date of the revisions is the publication date of this circular.

File update

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

| | |
|--------------------|--------------------|
| Remove page | 329-1-7 (9/14) [2] |
| Insert page | 329-1-7 (1/15) [3] |

Sincerely,

David Zaken
Supervisor of Banks