

BBVA's Social Housing Policy in Spain

May 2018

Executive Summary

As part of its **Responsible Business policies**, BBVA has created a social **housing policy** that goes beyond legally required criteria and is designed to:

- Offer solutions to all families struggling to pay their mortgage loans.
- Ensure that any family at risk of exclusion that is a mortgage customer of BBVA has a roof over its head.
- **Implementing adequate measures tailored to fit each situation**, for those cases in which non-debtor guarantors, endorsers and mortgagors are at risk of social exclusion.

Today, over 750,000 families live in homes financed by BBVA in Spain.

Until December 2017, BBVA group has nearly 7,000 **homes available for social rental** that are provided to the Social Housing Fund, to the rental granted to customers and to houses assigned to Cáritas in Barcelona and Generalitat of Catalunya. **Until December 2017**, BBVA group has nearly 7,000 **homes available for social rental** that are provided to the Social Housing Fund, to the rental granted to customers and to houses assigned to Cáritas in Barcelona and Generalitat of Catalunya. As a result of the social housing agreement signed with the Regional Government of Catalonia, BBVA transferred the tenancy rights of more than 1,000 units for a five-year period. The agreement confers the Regional Government the right to purchase a part or the totality of the property stock during its validity period and pre-emptive and refusal rights over said stock following its expiration.

In addition, there are various **internal mechanisms** in place to ensure that a real social housing policy can be executed, with particular attention paid to families at risk of exclusion:

- Current refinancing agreements (54,696) at 31 December 2017, of families helped since the start of the crisis)
- Mortgage Debtor Protection Committee (1,927 cases analyzed)
 - Dation in payment policy (28,391 dation in payment agreements since the start of the crisis until December 2017)
- Agreement between BBVA and the Adecco Foundation (1,484 beneficiaries and 57% who have found a job)

Introduction

Since the start of the economic turmoil in Spain, **BBVA has been aware of the difficult economic and social situation of some of our customers**, and especially those struggling to meet their payment obligations on their main residence mortgages. As part of the **Responsible Business** policies that shape the Bank's daily activity, BBVA has implemented **a range of initiatives** that go **beyond** legal obligations. They constitute a comprehensive and integrated social housing policy whose main aim is to **offer solutions to all BBVA customers who are mortgage holders**.

BBVA's social housing policy revolves around three main areas:

1. **Offer solutions** to all families struggling to pay their mortgage loans.
 - Refinancing customers is a priority for BBVA, to help them adjust their monthly payment obligations to their new financial capabilities, thus enabling them to retain ownership over their homes.
 - Since the beginning of the crisis, the BBVA Group has refinanced troubled customers, allowing them to keep their homes. Currently, the bank's outstanding mortgage portfolio includes a total of 54,696 refinanced mortgages.
 - In 28,391 cases⁽¹⁾ where, due to financial circumstances, reaching a refinancing agreement has not been possible, the bank has agreed to repossess the properties and cancel the outstanding mortgage balance (dation in payment or "dación en pago"), allowing the affected families to avoid facing mortgage collection processes.
2. **Guarantee families** in a situation of extreme vulnerability that have a mortgage with BBVA and are at risk of social exclusion that they will have a home to stay, subject to the availability social housing units within the bank's portfolio at each point in time.
3. Implementing adequate measures tailored to fit each situation, for those cases in which guarantors, endorsers or non-debtor mortgagors are at risk of social exclusion.

This policy allows offering **solutions to all financially troubled mortgage debtors** that include refinancing, debt relief and dation in payment arrangements, and, where possible, access to social rental units, **prioritizing** families in particularly vulnerable situations and at risk of **social exclusion**.

The Bank has also set up the required internal mechanisms to prevent troubled families from being evicted.

1) Total number of "daciones en pago" at BBVA and CX as of December 2017

Legal measures

BBVA acceded to Royal Decree-Law 6/2012, of March 9, 2012, approving urgent measures to protect low income mortgage debtors and the amendments established by Law 1/2013, of May 14 by Royal Decree-Law 1/2015, of February 27.

- RDL 27/2012 (RDL 1/2015) and Act 1/2013 (Act 9/2015) On the occasion of the approval of Royal Decree 27/2012, Act 1/2013 and RDL 1/2015 and Act 9/2015, which involved the suspension of eviction orders –for a four-year period– in the case of families falling within certain criteria of exclusion, BBVA decided proactively to inform all its customers who are involved in a process of foreclosure of the existence of these laws and the extension of their effects, so they could take advantage of their provisions. Under both laws, the debtor must ask the judge to take advantage of the benefits available, and it is up to the judge to grant them.
- Royal Decree-Law 5/2017, of March 17, amending Royal Decree-Law 6/2012, of March 9, approving urgent measures to protect low income mortgage debtors, debt restructuring and social renting. The second article proposes a three-year extension, through May 2020, of the moratorium on foreclosures on permanent residences of low income families and Law 1/2013, of May 14, on the measures to strengthen the protection of people at risk of extreme vulnerability established in Law 1/2013. This law envisages the possibility of, following the approval of the foreclosure moratorium extension through May 2020, allowing tenants to apply for – within the legally established timeframe – a social rental arrangement with the homeowner.
- Social Housing Fund. BBVA contributed 1,716 homes to the Social Housing Fund since March 2013. The Fund was created to provide social rental housing to families who since 2008 have lost their home as a result of mortgage foreclosure proceedings initiated by a bank. Since its creation, BBVA has been dealing with all the requests that it is receiving through its branch network or online.
The homes are located across the whole of Spain, particularly in those geographical areas where the housing problem is most acute. Currently, the virtual totality of the property stock is rented to vulnerable families.
- **WEB of the Social Housing Fund:** (BBVA and other 12 institutions came together to create this website where they list their pools of available social housing units. Prospective tenants are allowed to apply for any of the properties listed on the website, regardless of the institution they took out their mortgage which. This web also allows Public Administrations and the Tertiary sector to submit applications on behalf of defaulting mortgagors, thus speeding up the approval process.
- **Social Housing Fund extension (2018):** In 2018, BBVA ratified and extended for the fourth time its accession to the Social Housing fund, which has provided affordable rentals to more than 9,500 families. This expansion will remain valid through January 2019.

Additional voluntary measures adopted by BBVA

BBVA has decided to adopt voluntarily additional measures that go beyond those legally established and that form part of BBVA's social housing policy.

The measures are listed and explained in more detail below:

- 1- Refinancing agreements
- 2- Dation in Payment agreement
- 3- Mortgage Debtor Protection Committee
- 4- Social Rental
- 5- Home assignment
- 6- BBVA Adecco Foundation agreement
- 7- Dialogue with stakeholders

Refinancing agreements

BBVA's priority is to avoid foreclosures and thus allow its customers to maintain ownership of their homes

Since the start of the crisis, BBVA has helped more than 54,969 **families** through agreements to adapt repayments on their mortgage loans with the Bank to their new ability to pay.

These 54,969 families can continue to maintain ownership of their homes, which is the main objective of BBVA's social housing policy, while complying with their obligations as debtors.

Beneficial proactive actions for mortgage debtors

A **proactive approach** to finding solutions through dialog with debtors has led to a large number of them being offered facilities in their loan repayments. As a result, they are able to deal with their debts through a new repayment schedule, despite the deterioration of their financial and employment situation caused by the serious current economic crisis.

The solutions offered to customers are basically reductions in interest rates, grace periods for capital repayment or reductions of outstanding amounts.

Interest rate reductions rather than grace periods (more transparent and beneficial for the debtor)

BBVA has used **interest-rate reductions** proactively in refinance agreements. We believe this measure is **more transparent** for customers than a grace period, as once such a period is over; the customers have to face a very significant increase in the repayment amount.

Reductions to the outstanding debt

BBVA's refinancing strategy has focused on **adapting payments** by customers to **their new ability to pay**; but above all, the aim has been to ensure that customers receiving refinance measures **pay back the capital, as this is the only real way of reducing their exposure**.

If the analyses of the customers' circumstances reveal a need, we apply reductions to the outstanding debt to allow repayments to be adapted to the customers' ability to pay.

BBVA has a firm commitment to making it possible for all customers with a willingness and some ability to pay to continue to live with their families in their own homes.

Alternatives for customers who cannot meet payments on refinanced loans

Customers who despite refinancing continue to have problems to meet their payments may benefit from the rest of the initiatives BBVA has introduced. They are explained below.

Dation in Payment

Debtors cancel their debt through dation in payment agreements, and may also benefit from other measures such as rental

BBVA has been active in the policy of reaching agreements for dation in payment with its customers, as this option allows families to cancel their debt by handing over the home that is financed by the mortgage loan, and thus eliminate the uncertainty generated in families by the maintenance of the debt.

The policy of dations in BBVA corresponds to a **model** in which a number of variables are taken into account: the amount of debt pending; the value of the mortgage guarantee; and, of course, the personal and family situation of the debtors and, if appropriate, that of the guarantors of the mortgage. All this makes up a model that allows **quick and flexible** decisions to be taken to reach agreements with our customers.

Since the start of the crisis, BBVA has concluded 15,667 **dation in payment agreements** with its customers.

Mortgage Debtor Protection Committee

Through the Mortgage Debtor Protection Committee, BBVA guarantees that no family at risk of exclusion may be evicted from their home.

BBVA set up the Mortgage Debtor Protection Committee in January 2013. Its main function is to analyze all cases where either mortgage debtors who are customers of the Bank or

their families are exposed to any risk of exclusion that is not protected by the Law.

This committee studies all the cases and tries to find specific solutions tailored to the individual circumstances of each family.

The decisions of this committee are extensive and varied in scope. They include:

- New refinancing
- Reduction of outstanding debt
- Dation in payment
- Social rental of the home itself or of available homes owned by the Bank

The committee meets once a week and analyzes urgent cases in which there are circumstances that we can classify as risk of exclusion.

The committee is given extreme flexibility in the decisions it adopts, and can combine different measures.

Since the setting up of the Mortgage Debtor Protection Committee to the end of 2016, 3,281 cases have been analyzed.

Compatibility of dation in payment with other measures

In addition, if the families that agree a dation in payment with the Bank are in a situation of social exclusion, they may benefit from other measures adopted by BBVA, such as social rental in the family home.

The policy of dation in payment actually exceeds the legal limits established in the Code of Good Practices, thus significantly increasing the number of cases.

Social Rental

BBVA guarantees a home for any family at risk of social exclusion that has a mortgage debt with the Bank provided that the family meets the extreme vulnerability and risk of exclusion eligibility requirements established by the Fund, and subject to the availability of social housing units within the bank.

Creation of a common Social Housing Fund website

In March 2016, 12 financial institutions combined their entire social rental offering from the Social Housing Fund on a single website with the aim of increasing the number of solutions available for customers with mortgages.

The website is aimed at both families and social entities or public bodies that collaborate in managing and processing the applications. Unified information will also be provided on the stock of social rental homes available at the 12 financial institutions.

Home Assignment

Collaboration agreements with third parties to help the most needy families in the area of housing

The responsibility for implementing the right to housing for all citizens corresponds essentially to the public authorities (government, autonomous regions and local bodies).

The banks play a significant role in this area with respect to customers who are affected by circumstances they find themselves in. The legal and voluntary measures explained here so far respond to this commitment.

Beyond this, BBVA is aware of the situation of families who are not customers of BBVA. That is why it is implementing other measures as a sign of our social responsibility.

In July 2016, BBVA's Group signed an agreement with the Generalitat of Catalunya with the aim of facilitating the access to housing for families who are socially vulnerable.

In addition, BBVA signed an agreement with Cáritas Barcelona in 2013, which has involved the first assignment of 50 homes over a period of five years.

BBVA-Adecco Foundation agreement

The agreement has allowed unemployed mortgage debtors to enter the labor market, opening up new personal and family horizons

Between March 2013 and April 2016 BBVA concluded an agreement with the Adecco Foundation. Its aim is to help the Bank's customers who lose their first and only home on or after January 1, 2013 as a result of mortgage foreclosure proceedings initiated by the Bank. The initiative incorporates customers into an employment plan to enable them to re-enter the labor market. It also includes financial aid of up to 400 euros a month over a maximum period of 24 months. This plan was based on two aspects: a labor integration plan accompanied by financial aid.

The most significant figures of the Adecco Foundation BBVA Plan are 1,484 beneficiaries of the plan, and 57% of those accepted by the plan have found a job at some time since its start.

Dialog with stakeholders

For BBVA, transparent and peaceful communication is essential for reaching a mutual understanding with its customers or representatives thereof.

- BBVA engages in an ongoing dialog with the public authorities at national, regional and local level, as well as with different associations and organizations. The aim is to gain a better understanding of the needs of customers and offer solutions to those who turn to such organizations for advice and a way of channeling their requests.
- BBVA is committed to dialog and negotiated solutions with all those families

who find difficulties in meeting their payments. It considers that transparent and peaceful dialog can provide the right environment for a natural understanding with its customers or their representatives.

- That is why a dialog between the Bank and other organizations is most intense in all those geographical areas where the crisis has been most severe and where the housing problem is most acute.