

BBVA

Creando Oportunidades

Framework for Social Housing in Spain

Madrid, April 2021

Index

Index	2
1. Executive Summary	3
2. Introduction	5
3. Legal measures	6
3.1 Code of Good Practices.	6
3.2 Eviction Moratorium	6
3.3 Social Housing Fund	7
4. Additional voluntary measures adopted by BBVA	8
4.1 Refinancing agreements	8
4.2 Dation in Payment agreements	8
4.3 Mortgage Debtor Protection Committee	9
4.4 Social Rental	10
4.5 Home assignment	10
4.6 BBVA-Adecco Foundation agreement	10
4.7 Dialog with stakeholders	11

1. Executive Summary

BBVA's Commitment to Human Rights seeks to guarantee respect for the dignity of all people and the rights that are inherent to them. In order to comply with the United Nations Guiding Principles on Business and Human Rights, and with the responsibility of preventing, mitigating and remediating potential human rights impacts, a due diligence process was carried out in 2017 in which potential impacts on human rights through operations carried out by the Bank were identified and mechanisms were designed within BBVA to prevent and mitigate them. In this process, some key issues were identified that could serve as levers for improvement of the management system within the BBVA Group and that are grouped into four areas that serve as the basis and foundation of the **Group's Action Plan for Human Rights 2018-2020**, which is public and updated every year.

In line with its commitment to the Sustainable Development Goals, BBVA integrates not only environmental risks, but also social risks in all its decisions. BBVA is committed to supporting inclusive economic development, both through its business and the various social programs that the Group promotes.

In addition, taking into account the relevance of the mortgage market in Spain, BBVA has shown within its Responsible Business strategy a framework for social action in housing matters that goes beyond what is legally established, affecting this Commitment to Human Rights and the Sustainable Development goals, mainly in terms of SDG 1: No Poverty and SDG 10: Reduced inequalities.

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

BBVA's Framework for Social Housing in Spain is geared towards offering adapted solutions to mortgage-holders struggling to meet their payment obligations. BBVA considers all available refinancing possibilities based on customers' payment potential, with the aim of helping keep their homes, agreeing to the dation in payment in the event that their financial situation does not allow it.

In addition, the Mortgage Debtor Protection Committee analyzes every case submitted to it and exclusion risk circumstances not covered by the Law affecting clients or their families, arranging individual solutions based on each family's particular circumstances.

In February 2012, BBVA decided voluntarily to adhere to the Code of Good Practices approved by the Government, which had the objective of granting benefits to certain families who had taken out a mortgage loan and who were at risk of exclusion. On the occasion of the approval of Royal Decree-Law 27/2012, Law 1/2013, Royal Decree-Law 1/2015 and Law 9/2015, BBVA decided proactively to inform all its customers who were involved in a process of foreclosure

about the existence of these laws and the extension of their effects, so they could take advantage of their provisions.

In 2018, BBVA transferred its real-estate business to Cerberus Capital Management. The scope of this Framework for Social Housing in Spain was adapted to this new situation accordingly as a result, although it remained aimed at offering solutions adapted to the holders of mortgage loans who were struggling to meet their loan payment obligations.

In 2019, on the occasion of the entry into force of Law 5/2019, of March 15, regulating mortgage loan contracts, the bank decided to ratify its accession to the Code of Good Practices, according to the text provided in this law, which expanded the scope of application of the special protection measures to all mortgage-backed loan or credit contracts taken out by borrowers within the exclusion threshold and signed as of the date of entry into force or at a subsequent date. The measures foreseen in this Law will also apply to the mortgage guarantors of the borrower, with respect to the borrower's primary residence and subject to the same conditions as those applicable to the mortgagor.

Since the beginning of the crisis and through December 2020, BBVA Group had pledged nearly 7,000 to social housing initiatives, including the Social Housing Fund, rentals for eligible vulnerable mortgagors and the social housing schemes promoted by Cáritas in Barcelona and the Regional Government of Catalonia. BBVA currently has pledged over 1,000 housing units via a number of collaboration agreements with public institutions.

In addition, **BBVA** has set up a number of **internal mechanisms** to ensure that a Framework for Social Housing can be implemented, paying special attention to particularly vulnerable families holding BBVA mortgages that are at risk of social exclusion:

- **Current refinancing agreements:** Over 85,000 refinancing agreements currently in force as of December 31, 2020, which have allowed helping families since the start of the crisis.
- **Dations in payment:** over 29,600 agreements in BBVA Group since the start of the crisis through December 2020.
- **Mortgage Debtor Protection Committee:** over 2,200 situations analyzed corresponding to cases affecting mortgage holders or their families.

2. Introduction

Since the start of the economic turmoil in Spain, **BBVA became aware of the difficult economic and social strain** that the unfolding circumstances were placing on some of its customers, particularly those struggling to meet their payment obligations on their primary residence mortgages. In this sense, and as part of the Responsible Business Policies according to which the Bank conducts its daily activity, BBVA has **implemented a range of initiatives** that go beyond legal obligations. They constitute a comprehensive and integrated Framework for Social Housing whose main aim is to **offer solutions** to all vulnerable BBVA mortgagors.

This framework is designed to offer **solutions to all financially troubled mortgage debtors**, including measures such as 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 evictions of troubled families from being evicted.

To define its Framework for Social Housing, BBVA Spain singled out three key lines of action:

- 1. Offering adapted solutions** to all families struggling to pay their mortgage loans.
 - Refinancing customers' debts 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. As of the end of 2020, BBVA had over 85,000 refinancing agreements in force
 - In 29,600 cases 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. Guaranteeing vulnerable families in a situation of extreme vulnerability** that have taken out a mortgage with BBVA and are at risk of social exclusion that they will have a home to stay, subject to the availability of social housing units pledged by BBVA to the Social Housing Fund or, where appropriate, in fulfillment of its obligations under the current laws concerning the provision of social housing to people in situation of vulnerability.
- 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.

3. Legal measures

3.1 Code of Good Practices.

BBVA adhered to the **Code of Good Practices** for the viable restructuring of mortgage-backed loans on the primary residence.

- Regulated in Annex of Royal Decree-Law 6/2012, of March 9, approving urgent measures to protect low income mortgage debtors.
- In conformity with the provisions of Law 1/2013, of May 14, approving measures to strengthen the protection of mortgage debtors, debt restructuring and social rentals,
- Amended by Royal Decree-Law 1/2015, of February 27, establishing the second opportunity mechanism, the reduction of financial burden and other measures for social purposes
- And by Royal Decree-Law 5/2017, amending Royal Decree-Law 6/2012, of March 9
- As well as by Law 5/2019, of March 15, regulating mortgage loan contracts

The code sets out three stages of action.

The **first one**, intended to establish the mechanisms for the viable restructuring of mortgage-backed debts, by applying a deferral on capital repayments and a reduced interest rate for a 5-year period, and the extension of the total repayment time frame.

In **second place**, if the foregoing restructuring strategy is proven insufficient, the institutions may voluntarily, where appropriate, offer borrowers some debt relief measures.

And, **finally**, if neither of the foregoing measures allows curtailing the mortgage obligations of the borrowers to affordable limits for their financial viability, these borrowers may request, and institutions will be required to accept, the dation in payment as final measure that will relieve them from their debt. In this last event, families will be allowed to stay in their housing unit for a two-year period subject to an affordable lease agreement.

3.2 Eviction Moratorium

On the occasion of the approval of Law 1/2013, amended by Royal Decree-Law 1/2015 and Law 9/2015, which **involved the suspension of eviction orders** in the case of particularly vulnerable people 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 request the judge's authorization to take advantage of the available benefits, and it is up to the judge to grant it.

Law 1/2013 was amended by **Royal Decree-Law 5/2017** with the purpose of providing **an additional three-year deferral period, until May 2020**, on evictions from primary residences affecting limited-resource families, and the possibility of, upon expiration of said deferral period on May 2020, allowing the housing unit's residents – within a timeframe established by law – to apply for a social rental to the housing unit's owner.

Finally, **Royal Decree-Law 6/2020**, of March 10, adopting specific urgent economic and health protection measures, extended the eviction moratorium deadline for an additional four year period, **through May 15, 2024**. Also, the Royal Decree adjusted the concept of vulnerable groups to protect borrowers who, despite being in a situation of special vulnerability, were yet not eligible to benefit from the moratorium, such as in the case of single-parent families with a child.

3.3 Social Housing Fund

In March 2013, BBVA Group joined the Social Housing Fund (FSV - Fondo Social de Viviendas) established by the Ministry of Economy and Financial Institutions. 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, **and provided housing to over 1,800 families**. The homes are located across the whole of Spain, particularly in those geographical areas where the housing problem is most acute.

Social Housing Fund extension (2021): In early 2021 the Social Housing fund was renewed for the seventh time. So far it has provided affordable rentals to more than 9,500 families. This extension will remain valid through January 2022. **BBVA has contributed 965 housing units to this initiative**. The virtual entirety of the fund's housing units are currently rented out, and all tenants are vulnerable families.

Website of the Social Housing Fund: www.fondosocialdeviviendas.es

BBVA and other 12 institutions came together to build a website that would allow them to 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 with. This web also allows Public Administrations and the Tertiary sector to submit applications on behalf of defaulting mortgagors, thus speeding up the approval process.

4. Additional voluntary measures adopted by BBVA

Since the outbreak of the crisis, BBVA voluntarily decided to adopt additional measures beyond those legally established. These measures are included within BBVA's Framework for Social Housing.

The measures are listed and explained in more detail below:

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

4.1 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 85,000 families through agreements to adapt repayments on their mortgage loans with the Bank to their new ability to pay.

These 85,000 families have been able to retain ownership over their homes, which is the main goal of BBVA's Framework for Social Housing, while complying with their obligations as debtors.

And to do this, proactivity is essential. 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 meet their obligations through a new repayment schedule, despite the worsening of their financial and employment standing as a result of the impact of the unfolding economic crisis. The solutions offered to customers are basically reductions in interest rates, deferrals for capital repayment or reductions of outstanding amounts.

4.2 Dation in Payment agreements

BBVA's dation in payment approach actually exceeds the legal limits established in the Code of Good Practices, thus significantly increasing the number of cases. Debtors cancel their debt

through dation in payment agreements, and may also benefit from other measures envisaged under the bank's social housing plan, subject to the availability of such properties.

BBVA has been active in its intent of reaching dation in payment agreements with its customers, as this option allows families to cancel their outstanding debt by relinquishing ownership over their mortgaged properties, and thus eliminating the uncertainty created by their financial situation.

The dations approach at BBVA is based on a model that takes into account a number of variables, such as the outstanding debt; the value of the mortgage collateral; and, of course, the personal and family standing of the borrowers and, where appropriate, the financial standing of the mortgage guarantors.

The resulting model ensures that decisions can be made in a quick and flexible manner, allowing the company to discuss potential agreements with our customers.

Since the start of the crisis, through 2020, BBVA has signed over 29,600 dation in payment agreements with its customers.

4.3 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, even in cases that are not protected by Law.

BBVA set up the Mortgage Debtor Protection Committee in January 2013. Its main function is to analyze all cases where either BBVA mortgagors or their families are exposed to any exclusion risks other than those envisaged by applicable laws.

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 regularly and analyzes urgent cases if needed. The committee is given extreme flexibility in the decisions it adopts, and can combine different measures. Since it was set up and through the end of 2020, the Mortgage Debtor Protection Committee has analyzed more than 2,200 cases.

4.4 Social Rental

BBVA guarantees a home for any family that may have lost their primary residence as a result of a mortgage foreclosure by the Bank, provided that the family meets the extreme vulnerability and risk of exclusion eligibility requirements established by the Social Housing Fund, through available social housing units.

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, provided this home has a social profile.

4.5 Home assignment

BBVA has established 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).

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 Regional Government of Catalonia with the aim of facilitating the access to housing for individuals and families who are in a situation of residential exclusion.

By virtue of this agreement the Bank committed to transfer temporal usage rights to the Regional Government of up to 1,800 housing units, and the Regional Government committed to adopt specific measures to promote the social integration and insertion of the families assigned to these housing units.

4.6 BBVA-Adecco Foundation agreement

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 primary and only home. The initiative incorporated customers into an employment plan to enable them to re-enter the labor market. It also included financial aid of up to €400 a month over a maximum period of 24 months. This plan was based on two aspects: a labor integration plan accompanied by financial aid. As a result, the Adecco Foundation BBVA Plan benefitted a total of 1,484 people, 57% of which found a job at some time since its start.

4.7 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 negotiate solutions with all those families who find difficulties in meeting their payments.
- 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.