

BBVA

Creando Oportunidades

Framework for Social Housing in Spain 2022

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1. Executive Summary

BBVA has a **Commitment to Human Rights** that seeks to guarantee respect for the dignity of all people and their inherent rights. In order to comply with the UN Guiding Principles on Business and Human Rights and the responsibility to prevent, mitigate and address potential human rights impacts, an initial global due diligence process was performed in 2017 to identify the potential human rights impacts of the Bank's operations and to design mechanisms within the Bank to prevent and mitigate them. From this analysis emerged the first Human Rights Action Plan 2018-2020. To give continuity to this commitment, BBVA performed a new human rights due diligence process in 2021 with the same goal as its predecessor: to prevent, mitigate and address potential impacts on human rights, and published the new [Human Rights Action Plan 2021-2022](#).

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.

Moreover, taking into account the importance of the mortgage market in Spain, as part of its Responsible Business strategy BBVA has designed a framework for social action in housing matters that goes beyond what is legally established and has a bearing on its Commitment to Human Rights and the Sustainable Development Goals, in particular SDG 11.

By December 2022 **more than 730,000 families** live in BBVA-financed housing 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 analyses 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.

In 2022, BBVA decided voluntarily to adhere to the New Code of Good Practices approved by the Government in November 22th (Royal Decree-Law 19/2022). New measures were set to help clients in risk of vulnerability to alleviate the rise in interest rates on mortgage loans on habitual residence. This new CBP will begin to be implemented in January 2023.

Since the onset of the crisis and until December 2022, the BBVA Group has made almost 7,000 homes available to Spanish society for social renting, including those contributed to the Social Housing Fund, rental units granted to customers in what had been their homes and homes loaned from the Generalitat of Catalonia and Cáritas Barcelona. BBVA currently has signed collaboration agreements with public entities for more than 1,000 homes.

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:

- **Refinancing agreements in force:** more than 85,850 refinancing operations in force as of 31 December 2022 that have helped families since the onset of the crisis
- More than 29,750 **payments in kind** in the BBVA Group since the beginning of the crisis until December 2022
- **Mortgage Debtor Protection Committee**, more than 2,200 situations analysed to provide a response to mortgage debtors or their families.

2. Introduction

Since the start of the economic turmoil in Spain in 2008, **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, prioritising 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 customers in economic hardship, enabling them to keep their homes. At the end of 2022, BBVA has more than 85,850 refinancings in effect
 - In cases where economic circumstances did not permit refinancing, more than 29,750 payments in kind have been arranged, allowing families to avoid foreclosure proceedings
- 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 fulfilment 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
- and the New Code of Good Practices approved by the Government in November 22th (Royal Decree-Law 19/2022)

BBVA agreed in November 2022 to voluntarily adhere to both codes. In the first place, to the modification of the CBP in force since 2012, which broadens its scope and includes new urgent measures to protect mortgage debtors without resources. Secondly, the new CBP approved on November 22 by the Government and regulated in RDL 19/2022, with the aim of softening, temporarily, the impact of the rise in interest rates on Mortgage loans on habitual residence for certain groups of clients at risk of vulnerability, and with a duration of two years.

The measures are focused on lightening the mortgage burden of lower-income households, preserving the financial stability and solidity of the Spanish mortgage market.

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 1,850 families**. The homes are located across the whole of Spain, particularly in those geographical areas where the housing problem is most acute.

FSV Extension (2022): At the beginning of 2022, the Social Housing Fund was renewed for the eighth time, thanks to which more than 9,500 families have had access to a reduced monthly rent. This extension will last until January 2023 and **BBVA has contributed with 875 homes**. At present, the fund's housing stock is almost entirely rented out, with tenants in all cases being 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. Dialog with stakeholders

4.1 Refinancing agreements

BBVA's priority is to avoid foreclosure proceedings and therefore help customers maintain ownership of their homes. Since the beginning of the crisis, BBVA has been helping its customers adjust their mortgage loan payments to their new payment capacities through refinancing. Currently, more than 85,850 families have a current refinancing plan for their debt with BBVA.

These 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 beginning of the crisis until December 2022, BBVA has formalised more than 29,750 payment -in-kind 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 analyse 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 on a regular basis and discusses cases on an urgent basis if required to do so. There is maximum flexibility in the decisions taken in the committee, which allows for the combination of all kinds of solutions. From the start of the Mortgage Debtor Protection Committee until the end of 2022, more than 2,200 cases have been analysed.

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 took on a commitment to temporarily transfer to the Generalitat the usufruct of up to 1,800 homes, and the Generalitat undertook to adopt specific accompanying measures aimed at the integration and social insertion of the families living in these homes.

In 2021 BBVA renewed this commitment for four more years, adapting it to current needs and circumstances and committing to the transfer of up to 900 .

BBVA also responds to humanitarian crisis situations, making itself available to the government to reach agreements for the temporary transfer of housing. This was done in response to the emergency caused by the volcanic eruption on La Palma and, more recently, to deal with the Ukrainian refugee crisis, offering 200 homes distributed throughout the country for this purpose.

4.6 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.