

TRANSLATION



September 7, 2011
Circular FECI No. SBP-DJ-0051-2011

General Manager

Subject: New Interpretation Criteria of FECI
Commission. Household Mortgages.

Dear General Manager:

Hereby, we refer to the provisions set forth in Article 3 of Executive Decree No. 29 of 1996, amended by Executive Decree No. 33 of 30 2010 (sic), which provides the following:

***“ARTICLE 3:** It is the duty of the FECI Commission to provide the necessary measures to execute Law 4 of 17 May 1994 and its by-laws”.*

Likewise, we refer to the provisions of number 4 of Article 10 of Law 4 of 1994 and letter D of Article 28 of Executive Decree No. 29 of 1996, which define as personal loans and corporate loans the ones destined to sectors **different** from agricultural, industry, fishing, **household**, non-profit organizations, and public sectors.

In this regard, FECI Commission has added a new Interpretation Criteria to 1% withholding, which is as follows:

42. The loan granted to finance the purchase or construction of the final beneficiary's main household, in which case the purchase or construction was made before the granting of said loan, could be considered as “household mortgage”, and should be exempted from the 1% FECI withholding, as long as it meets the following criteria:

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- The loan applicant has not agreed any previous loan agreement, already cancelled, to finance the purchase or construction of the same main household that he wishes to finance with the new loan, independently if said household was given in guarantee or not,
- The loan applied is not intended to compensate the money used to home improvements of the main household, and
- The Bank has procedures and policies that will allow it to ask the customer to provide documentation, from which it could be evidence the intention to compensate the money used, at the time of buying or building up the main household of the loan beneficiary.

In the event of home improvements to the main household of the loan beneficiary, the 1% FECI withholding must be applied.

We highly appreciate to inform these instructions to your staff in order to fully comply with this circular

Very truly yours,

Alberto Diamond R.
Superintendent

/cga