

TRANSLATION



February 6, 2007
CIRCULAR No. 014-2007

General Manager

Subject: Law 3 dated 20 May 1985. System of Preferential Interest Rates on Mortgages.

Dear General Manager:

Because of its importance, we deemed it convenient to share the criteria provided by the General Revenue Office in response to an inquiry on the application of the preferential interest rate established by Law 3 dated 20 May 1985 to mortgages when the owner of the property placed as collateral is not the debtor of the loan.

The General Revenue Office states that the essential elements and sole requirements for preferential interest rate loans are:

1. That the product of the loan is allocated exclusively to funding the purchase or construction of the main living quarters of the borrower.
2. That the residence is new. In the case of acquisition by purchase, the residence will be considered new if this is the first sale since its construction and it has not been previously inhabited.
3. That the loans are not for interim construction financing or construction of improvements on a previously inhabited dwelling.
4. That the collateral for the loan is the property of which the cited residence is a part.
5. That the purchase or construction price of the house is below sixty-two thousand five hundred balboas (B/.62,500.00), and
6. That the loan payments were structured according to an amortization table based on a term of no less than fifteen (15) years.

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Similarly, the Office considers that:

1. Preferential mortgages based on Law 3 of 1985 can only be granted to the owner of the property.
2. Exemptions, subsidies, and exonerations can be granted only to those individuals expressly stipulated in the Law.
3. Banks are responsible for ensuring compliance with current legal provisions and granting the preferential interest rate to those to whom it legitimately belongs.

To avoid future inconveniences, we encourage you to bear in mind the criteria of the General Revenue Office when granting loans to the preferential mortgage sector.

Best regards,

Olegario Barrelier
Superintendent

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