

## ACCESS TO CREDIT: CONSUMER CREDIT AND MORTGAGE

Like Italians, foreign citizens, of EU or non-EU nationality, can access various forms of lending, provided they meet certain **minimum requirements**: residence in Italy, an open-ended employment contract paid continuously for at least six months and possession of a regular permit of stay for citizens of non-EU countries. In recent years, recourse to so-called consumer credit, i.e. financing to meet personal needs, which concern private and family life, has become increasingly widespread.

Disbursement of the loan, which can be requested from authorised parties such as banks and finance companies as well as credit brokers, is subject to the lender's assessment of 'creditworthiness', i.e. the user's actual ability to repay the sum borrowed.

In consumer credit, there are several different forms of financing.

**1) Non-purpose or personal loan** - Granted to meet liquidity needs. The lender pays the sum to the consumer in a lump sum and the consumer pays it back in instalments. As protection against the risk of non-repayment, the lender may require personal guarantees such as a surety and/or an insurance policy.

One type of personal loan is the **salary-backed loan against assignment of one-fifth of a salary or pension and delegation of payment**, whereby the loan can be repaid by assigning up to one-fifth of your salary or pension, with a deduction made directly by the employer or social security institution.

Salary-backed loans can be requested by:

- Public or private employees with:
  - Open-ended employment contract
  - Italian residence
  - Age between 18 and 63

Workers may also ask for a higher amount by assigning an additional fifth, as long as it does not exceed 40 per cent of the salary.

- Pensioners:
  - Who reach an age not exceeding 90 years at the end of the repayment period
  - Provided that the residual pension is not less than the amount of the minimum pension

**2) Current account loan** - The credit institution makes available to the citizen, holder of a current account, a sum up to a predetermined maximum amount, on which interest is calculated on the sums actually used in addition to payment of a fee.

**3) Revolving Credit Card Loan** - A revolving credit card is a credit card with which the consumer has a loan sum to spend using the card. Repayment is in instalments on which interest is calculated.

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Once the sum used has been returned, it can be spent again using the card, with the 'revolving' mechanism. Issuance of a revolving card is subject to certain requirements, including being of adult age, residence in Italy and a demonstrable income (e.g. by presenting a pay slip)

**4) Purpose loan** - This is a loan linked to the purchase of a specific good or service: the entire sum is paid to the seller by the lender, who then in turn has the loan repaid in instalments by the consumer.

When choosing a loan, it is important to consider the costs applied by the lender, assessing indicators such as the **APR - Annual Percentage Rate (TAN)** (interest rate calculated as an annual percentage of the credit granted, which may be fixed, i.e. always the same for the entire duration of the loan, or variable, i.e. fluctuating according to financial market trends) and the **NIR - Annual Nominal Interest Rate (TAEG)** (which, in addition to the TAN, includes the costs for accessing the loan, such as commissions, taxes and ancillary costs).

Before concluding the contract, the lender must hand over the SECCI (Standard European Consumer Credit Information) form, which contains all the information needed to assess the offer, including the amount, duration, instalments and costs of the credit. The consumer also has the right to receive: explanations/clarifications from the lender, a full copy of the contract prior to its conclusion and without obligation, information on the reasons for any refusal of the credit application, communications on the progress of the contract at least once a year, a repayment plan for the loan and written notification of the first report of negative information in a database, and written notification at least two months in advance of any change in the contractual conditions. In addition, the customer may withdraw from the fixed-term contract without any obligation to state reasons within 14 days of its conclusion, withdraw from the open-ended contract at any time, also request termination of the credit agreement, and obtain repayment of sums already paid in the event of default by the supplier and to repay the amount due in advance at any time, even in part.

## Mortgage

A mortgage is a **loan granted for the purchase (or renovation) of real estate**.

Foreign citizens can apply for a loan under the same conditions as Italian citizens, provided they have **been legally resident in Italy for at least two years** and have had a regular employment contract in place for at least six months. A residence permit, passport, employment contract, proof of income status, current account in your own name and certificate of residence in Italy are also required.

**Immigrant citizens who do not permanently reside in Italy** only need to fulfil the employment requirement and must therefore present the contract and current account of the institution from which the loan is requested.

As with other forms of financing, before granting a mortgage, the lender assesses the applicant's **creditworthiness as well as the value of the property** (usually the amount loaned does not exceed 80% of the value of the property). Generally, interest is charged on the loan repayment according to an agreed rate.

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Before applying for a mortgage, elements such as the total amount and the individual instalments, the interest rate, duration and ancillary charges should be assessed. The product information is contained in the IGCI (General Information on Real Estate Consumer Credit) and the **European Standardised Information Sheet (PIES)** and enables the consumer to compare different offers.

The offer remains firm and binding on the bank for seven days. Once the application has been processed, the contract is signed and the money is disbursed, which usually takes place eleven days after signing.

The interest rates most commonly applied to the mortgage are as follows.

- Fixed rate: remains unchanged throughout the duration of the loan, as does the amount paid in each instalment
- Variable rate: changes with changes in the cost of money
- Mixed rate: can change from fixed to variable (or vice versa) at agreed dates and/or conditions
- Balanced: one part of the loan is charged at the fixed rate and the remaining part at the variable rate
- Variable with fixed instalment: fixed instalment over time with fluctuations in the interest rate, resulting in a change in the duration of the contract

After disbursement, the **capital repayment** period begins, through the payment of the agreed regular instalments, which can also be made by debiting current accounts with other institutions. In the event of a late payment of the instalment, **default interest** is added, calculated as a percentage based on the amount and time elapsed. **In the event of continued arrears or non-payment of instalments, you should contact your bank to seek a solution:** you can, for example, opt to suspend, cut or move instalments, activate the insurance cover taken out or renegotiate the contract, i.e. find a new agreement with the bank on the duration and/or interest rate.

In particular circumstances, it is also possible to resort to specific means of protection:

1. Portability: the possibility of moving a mortgage and the related mortgage from one bank to another at no cost and on more advantageous terms, even without the consent of the bank that initially granted the mortgage. However, it is not possible to ask for additional sums to borrow;
  2. Renegotiation: possibility of converting the mortgage from a variable rate to a fixed rate at no charge to the user. The bank is required to grant this option for mortgages not exceeding 200,000 euro, whose holder has an ISEE not exceeding EUR 35,000, and who is up to date with instalment payments;
  3. Suspension of instalments for up to 18 months for families in economic difficulty where the death or recognition of serious disability or civil invalidity of the borrower has occurred and/or the borrower himself has lost his job or his working hours have been reduced. A suspension is applicable to mortgages for properties used as main non-luxury dwellings, amounting to no more than EUR 250,000, which have been in amortisation for at least one year, which are not covered by public subsidies or insurance policies to cover the suspended instalments, and in the payments of which there are no delays of more than 90 consecutive days. A suspension is not possible if an
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acceleration clause or termination of the contract has occurred or foreclosure proceedings have been initiated on the mortgaged property. To activate the procedure, it is necessary to fill in the dedicated form on the Consap website and deliver it to the bank, which has 10 days to transmit the application to the Provider: the latter in turn issues authorisation within 15 days of receipt and within the following 5 days the bank notifies the beneficiary that the measure has been activated. No fees or other charges are levied on the suspension and for the lock-in period, interest is calculated on the remaining capital, so that no interest is accrued on other interest.

### **First home loan guarantee fund**

The purpose of the First Home Loan Guarantee Fund is to facilitate the purchase of a main home through the issuance of first-demand guarantees of up to 50% of the capital share of mortgages or portfolios of mortgages related to the purchase and renovation and energy-efficiency enhancement of buildings used as main homes.

There are no income limits on access to the fund, but it does give priority to young couples, single-parent households with minor children, young people up to 36 years of age and tenants of housing owned by autonomous social housing institutions

There is also an exemption from the substitute tax for medium- and long-term loans for the purchase, construction or renovation of the first home stipulated between 26 May 2021 and 31 December 2023 by persons who, in the year of stipulation, were under 36 years of age and whose ISEE did not exceed EUR 40,000.

An overall nominal interest rate (NIR) equal to the average mortgage nominal interest rate (MNIR) as reported in the quarterly publication of the Ministry of Economy and Finance is applied to the loans that gain access to the Fund. Mortgages not exceeding EUR 250,000, intended for the purchase of real estate used as a main dwelling are eligible for the fund's guarantee, provided that the properties do not fall within the cadastral categories A1, A8, A9 or have luxury features, and where the borrower does not own any other property for residential use. The application form is available at [www.consap.it](http://www.consap.it) and can be submitted to a participating credit institution/financial intermediary (the list can be found on the Provider's website) together with an identity document. Once the financial intermediary/bank has verified that the documentation is all in order, it transmits the form to the Provider, which has 20 days to notify the Provider of the outcome of the guarantee. If the borrower experiences payment difficulties, the bank or financial intermediary has the option of suspending instalments as well as other optional measures indicated in the application form. In the event of default, the Fund settles the amount under the guarantee with the lender and takes action against the borrower to recover the amount in question: the borrower must then repay the Fund in full.