

Pursuant to Article 4 and Article 43, paragraph (2), item (10) of the Act on the Croatian National Bank (Official Gazette 75/2008 and 54/2013), the Governor of the Croatian National Bank hereby issues the

Recommendation on actions in granting non-housing consumer loans

1 Objective of the Recommendation

As part of its task of contributing to the stability of the financial system as a whole and in line with pursuing an intermediate macroprudential policy objective defined in Recommendation ESRB/2013/1 as preventing excessive credit growth and leverage, the Croatian National Bank is issuing this Recommendation to mitigate credit risk in consumer loans.

2 Definitions

For the purposes of this Recommendation, the following terms shall have the following meaning:

‘non-housing consumer loan’ means any consumer loan not prescribed in the act governing consumer housing loans;

‘annual loan service cost’ means the total amount paid by a consumer divided by the duration of the loan expressed in years;

‘annual total debt service cost’ means the annual loan service cost for all loans constituting consumer’s total debt;

‘LTI’ (loan-to-income) means the ratio of the loan amount to consumer’s total annual disposable income at the moment of loan origination;

‘DTI’ (debt-to-income) means the ratio of consumer’s total debt to consumer’s total annual disposable income at the moment of loan origination;

‘LSTI’ (loan-service-to-income) means the ratio of the annual loan service cost to consumer’s total annual disposable income at the moment of loan origination;

‘DSTI’ (debt-service-to-income) means the ratio of the annual total debt service cost to consumer’s total annual disposable income at the moment of loan origination;

‘LTV’ (loan-to-value) means the ratio of the loan amount to the collateral value at the moment of loan origination.

The terms used in this Recommendation that have not been specifically defined shall have the meaning as defined in the Decision on the minimum content of residential real estate records (Official Gazette 109/2018) (hereinafter: ‘Decision’) and laws governing consumer lending and consumer housing loans.

3 Recommendation

The Croatian National Bank recommends the following to all credit institutions providing lending services to consumers in the Republic of Croatia:

- A. that, in determining a consumer's creditworthiness for all non-housing consumer loans with original maturity equal to or longer than 60 months, they apply minimum costs of living that may not be less than the amount prescribed by the act governing a part of salary exempted from foreclosure. This ensures the consistency of criteria for determining a consumer's creditworthiness for housing loans and non-housing consumer loans with longer initial maturities;
- B. that they establish unique records of all non-housing consumer loans that shall contain the following:
 - 1. for loans secured by commercial real estate, all information prescribed in Article 4 of the Decision, adjusted for such real estate;
 - 2. for loans secured by collateral other than real estate (e.g. pledged deposit, pledged life insurance policy, pledged shares, etc.), information on the type and value of such collateral and, to the extent applicable, other information on the loan and consumer prescribed in the Decision;
 - 3. for uncollateralised loans, to the extent applicable, information on the loan and consumer prescribed in the Decision;
- C. that, for the purpose of monitoring the terms and conditions for granting all consumer housing loans and non-housing consumer loans, they calculate, and establish records on, the following ratios, as defined in item (2) of this Recommendation:
 - a. LTI
 - b. DTI
 - c. LSTI
 - d. DSTI
 - e. LTV.

4 Assessment of Recommendation implementation

In order to assess whether credit institutions comply with the Recommendation and to adjust its macroprudential policy instruments accordingly, the Croatian National Bank shall require credit institutions to submit all relevant information on all individual non-housing consumer loans granted after 31 March 2019.