



**Dear CEO letter No. 7/2009**

**on the behavior expected from credit institutions with regard to the mitigation of client burdens arising from the repayment of foreign currency loans**

The Hungarian Financial Supervisory Authority (hereinafter referred to as: the HFSA), in accordance with the goals determined in the Status Act of CXXXV of 2007, performs its tasks in order to ensure the smooth and effective operation of the financial markets, the transparency of market conditions, the maintenance of fair market competition, as well as to strengthen confidence in the financial markets.

The unfavorable changes seen in the credit markets in the past few months have resulted in extra burdens for a number of consumer clients indebted in foreign currency. In the given circumstances the HFSA assumes that it is especially important that the financial service providers support the debtors in trouble with flexible and client-friendly behavior.

The agreement (hereinafter referred to as: the Agreement) concluded between the Ministry of Finance and numerous credit institutions in November 2008, which was then confirmed in February and is still valid, is an example of client-friendly behavior. The subject of the Agreement is that the unfavorable effects exerted on the clients by the high fluctuation of the Forint rate, which are reflected in foreign currency lending, are moderated by the signatory credit institutions by applying various financial institution instruments and by undertaking to seek the most appropriate solutions for the situation in joint efforts with the clients.

In line with the Agreement, action packages attempting to help clients in difficult financial situation by rescheduling the credits, prolonging the repayment periods, or any other methods that ease payment were developed by several credit institutions.

The development and application of action packages with such a purpose are welcomed by the HFSA and they are considered as a good practice to follow. At the same time, the HFSA deems it essential that clients become aware of these opportunities with appropriate publicity and details, in order that they are able to use them, so that these balancing solutions mean practical ways to make their lives easier.

In order to ensure easy access to the information that facilitates the moderation of the risks of consumer decisions and to achieve that the new opportunities are successfully put into practice, the HFSA calls the attention of the credit institutions to take the following measures.

- The administrators/client service staff members/call center colleagues of the credit institutions should be specifically trained on their action packages developed to ease the repayment of foreign currency loans, they should be prepared to provide the enquiring clients with genuinely useful, accurate and valid information;

- The credit institutions should inform their clients on the opportunities that they have developed in as wide a scope as possible, in the form of information letters, brochures, etc.,
- The information materials on the various schemes should be sent to the HFSA at the same time as they are published,
- They should inform the HFSA on a monthly basis on the number and value of the contracts amended by the various schemes,
- In the amendment of the contracts, the administrators should strive to offer as many alternative solutions to the clients struggling with difficulties as possible, within the boundaries of reasonability and the business policy of the credit institution in question, rather than to automatically reject the clients.

Besides providing the opportunity to convert foreign currency loans to HUF-based ones, in order to ease the repayment of the installments, the HFSA thinks that making these credits payable in foreign currencies as well should also be considered, as long as the need for this arises and if the credit institution has the appropriate technical and administrative background for credit registration. In the opinion of the HFSA, this solution would affect a relatively narrow circle of consumers but it could also become a suitable tool for restoring client satisfaction.

In the course of realizing the above expectations, the HFSA expects the supervised institutions to demonstrate flexible and emphatic behavior.

In the current difficult economic situation, it is important for both the creditor and the debtor, and also, for the entire financial system that the level of bad debts does not increase any further. In this, the proactive and efficient problem-solving skills of the credit institutions play a critical role, by which they can also make it clear to the clients that they are not only obligors but also the recipients of a service through their credit agreements.

This behavior is essential in re-strengthening trust in financial markets, and the HFSA expects all the credit institutions to take serious efforts and to cooperate efficiently in this endeavor.

I would like to inform you that the contents of this letter have no binding force on the organizations that fall under the scope of the laws indicated in Section 4 of Act CXXXV of 2007 on the Hungarian Financial Supervisory Authority, the letter is aimed at facilitating prudent operations, but in the course of its audits, the HFSA will take the fulfillment of these requirements into account.

This Dear CEO letter will be disclosed by the HFSA on its homepage, under the title of “Regulation/CEO letters”, and it will also be sent directly to the managers of the affected credit institutions.

Dated at: Budapest, on 28 April 2009

Csaba Varga  
Director General of the HFSA