

NEW SERIES ON OUTSTANDING MORTGAGE CREDIT

In 2017, the entry into force of **Circular 5/2014, of November 28** (subsequently postponed to March 31, 2017 by *Circular 3/2015, of July 29*), which modified *Circular 4/2004, on public and reserved financial reporting standards, and models of financial statements*, meant a substantial reform of the statistical series to adapt their content to the criteria of preparation, terminology, definitions and formats of the states known as FINREP (Financial Reporting) in the regulations of the European Union.

Obviously, these modifications had an important conceptual impact on the Spanish mortgage credit series that the Spanish Mortgage Association (AHE) had been publishing under the collaboration agreement with the Bank of Spain (BdE). Some of the most significant changes include:

- Different conceptual consideration of the Collateral, being understood in the new series exclusively as the mortgage credit granted with Real Estate Collateral (with these modifications were excluded, among others, the mortgage credit on movable property).
- Doubtful exposures were included in the new mortgage outstanding balance data, compared to the previous criterion that excluded it.
- Mortgage loans that had been securitized and that were not maintained in the balance sheet of the entities were not included.
- Information was available on all deposit taking institutions, excluding Financial Credit Institutions (Establecimientos Financieros de Crédito, EFCs).
- The information relating to the Mortgage Backed Securities corresponded exclusively to the issuance operations linked to loans recognized on the liabilities side (maintained in the balance sheet of the entities subject to declaration).

Recently, the entry into force of **Circular 2/2020, of June 11**, amending *Circular 4/2017, of November 27, to credit institutions, on standards of public and reserved financial information, and models of financial statements*, has established the deletion of statements FI 160-1, FI 160-2 and FI 160-4, which were the primary source for the elaboration of the historical information of the heading of the **mortgage credit to Other Resident Sectors (OSR, in Spanish) with mortgage collateral** that, periodically, the BdE sent to the AHE. The purpose of this circular is to adopt the changes in the international legal framework on information requirements for credit institutions.

By virtue of it, there has been a slight variation with respect to the information that we had been providing in that chapter. The following are the main implications to be considered in the new data provided under the heading 'Mortgage credit to OSR with mortgage collateral' with respect to the previous series:

	NEW SERIES. MORTGAGE CREDIT DATA	FORMER SERIES MORTGAGE CREDIT DATA
Collateral	Real Estate	Real Estate
Scope of application	Transactions in Spain and residents	Transactions in Spain and residents
Credit assessment	Amount	Amount
Reporting entities	Banks, Saving Banks and Credit Cooperatives	Banks, Saving Banks and Credit Cooperatives
Technical Considerations	<ul style="list-style-type: none"> - It includes securitised off-balance sheet assets - Households - Non-financial corporations and individual entrepreneurs with non-financial business activity - Other financial companies and individual entrepreneurs with financial business activity (It does not include NPISHs) 	<ul style="list-style-type: none"> - It does not include securitised off-balance sheet assets - Households - Non-profit institutions serving households (NPISHs) - Non-financial corporations and individual entrepreneurs with non-financial activity - Other financial corporations and individual entrepreneurs with financial business activity

Finally, it should be noted that the corresponding series with the Securitised Mortgage Assets has not been affected by said Circular, so the technical applications of the data at origin are maintained:

- The amount of the Mortgage Securitised Assets (in Spanish 'Participaciones Hipotecarias' and 'Certificados de Transmisión Hipotecaria' issued) corresponds exclusively to loans recognized and held on balance sheet, i.e. those that have not been a subject of a full risk transfer. In addition, it is also applicable the new structural breakdown according to the nature of the reporting entities (Banks, Saving Banks and Credit Cooperatives).

Thus, any analysis on the historical evolution of the outstanding mortgage credit in the Spanish market should consider the amendments introduced by Circular 2/2020, of June 11.