Mortgage Credit Contract

1. What is a mortgage credit contract?

A mortgage credit contract is an agreement where a lender (a bank) provides a sum of money to a borrower (you, alone or with one or more other persons) for the purchase, construction, renovation of a home, or purchase of a plot of land for building. In return for the money advanced by the lender to the borrower, the borrower commits to repaying the loan amount plus interest. The bank will request a guarantee to ensure it can recover its money if you do not repay the loan. The most common guarantee is a mortgage on the real estate acquired through the credit, which the bank can sell if you default on your repayments. (Insert link to the glossary on the OSAPS website) For people without web access, should a physical copy of the glossary be offered along with the information sheet upon request?

2. What happens before entering into a mortgage credit contract?

Before entering into a mortgage credit contract with you (the borrower), the bank must provide you with information on how the credit works, how much it costs, what happens in case of non-payment, and what your rights are. This information is called “pre-contractual information” (PCI). Among these, the European Standardised Information Sheet (ESIS) is one of the key documents. This sheet is presented in the same format by all banks, making it easier for you to compare different offers. We are also obligated to check your financial solvency — meaning whether you are able to repay the loan. For this, we will request personal information such as your income (salary, pensions, etc.), expenses (rent, bills, other loans, etc.), assets (money, real estate), and any existing debts. Depending on your country of residence, we may also need to consult official registers or central databases holding financial information on individuals. Based on this information, we conduct a credit analysis to determine whether we can grant you the loan. If the result is positive, we can sign the credit contract with you.

3. How is the mortgage credit contract concluded?

The mortgage credit contract is concluded once we have agreed with you on the credit conditions, such as the loan amount, the guarantee (see 1.5), the interest (see 1.6), and the repayment terms (1.9). The credit contract must be made in writing and signed by all parties.

4. Is there a cooling-off period?

In Luxembourg, the bank must grant you a reflection period. This means that once you receive the loan offer, you have a set time to decide whether to accept it, and during this time, the bank cannot change the offer conditions. The Consumer Code provides for a 14-calendar-day reflection right. If you reside in a country other than Luxembourg, other time limits may apply, which will be clearly described in the pre-contractual information provided to you.

5. How is the loan amount disbursed to you?

The mortgage credit contract sets the conditions under which the loan amount will be disbursed. The loan will be disbursed once the required guarantees, such as a mortgage, have been put in place.

6. How is the loan guaranteed?

In the mortgage credit contract, we agree with you on the guarantees you must provide to protect us against the risk of non-repayment. For example, we may require you to secure the loan with a mortgage on a property you own. This means the mortgaged property serves as collateral, even though you remain its owner. If we terminate the mortgage credit contract because you have not met your repayment obligations, we can enforce the guarantee — for example, by auctioning off the mortgaged property. To do this, we must first initiate a forced sale procedure. However, we will always contact you before starting this process.

7. What interest rates apply?

You must pay interest on the loan, which is added to the borrowed amount. This is why we also refer to it as the borrowing rate or debit rate. There are two types of debit rates: fixed debit rate (see 1.7.1) and variable debit rate (see 1.7.2). We can agree with you on either a fixed or variable debit rate.

7.1 What is a variable debit rate?

A variable debit rate is a rate that can increase or decrease during the contract term. This means your repayment amounts (monthly, quarterly, etc.) may also change — you may pay more or less depending on the rate's evolution.

7.2 What is the Annual Percentage Rate (APR)?

The APR represents the total cost of the credit you must pay. It is expressed as an annual percentage. The purpose of the APR is to allow you to compare different credit offers.

8 What is the total cost of a mortgage credit?

The total cost of a credit includes all costs, such as interest, commissions, taxes, and all other fees the consumer is required to pay under the mortgage credit contract. The main cost of a loan is the debit interest (fixed or variable) plus the repayment of the borrowed amount.

9 How is the mortgage loan repaid?

You are required to repay the loan according to the contract terms. The contract may provide for repayment through regular payments (e.g., monthly) or repayment in full at the end of the contract.

10 What happens in case of late payment?

If there are late payments, late interest as well as additional fees and commissions may be charged.

11 Do you have the right to repay the loan early?

You can repay the loan early, either fully or partially — that is, before the agreed repayment date. This is called early repayment. You can make an early repayment provided you notify us in advance in writing. However, in the case of early repayment of a fixed-rate loan, the bank may require the payment of compensation within the limits set by the Consumer Code and, where applicable, the laws of your country of residence. Depending on your contract terms, the bank may also specify that early repayment of a fixed-rate mortgage loan is not allowed during a certain period.

12 Can the mortgage contract be terminated before its term?

In principle, you can terminate the mortgage credit contract at any time by respecting the notice period or notification agreed with the bank and by repaying the principal and any accrued interest. An early repayment fee may be charged if you repay before the end of a fixed-rate contract, as explained above in section 1.12. The bank may also terminate the credit contract in specific cases defined in the contract, respecting a notice period — for example, if you stop repaying your loan, if you fail to meet your obligations, or in the event of the borrower's death.

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