

399/2021 Coll.

DECREE

of 25 October 2021

on credit ratios

Pursuant to Article 45a(6) of Act No. 6/1993 Coll., on the Czech National Bank, as amended by Act No. 219/2021 Coll., the Czech National Bank stipulates the following:

Article 1

Subject

This Decree shall regulate the manner of, and rules for, calculating credit ratios and the definitions of the items included in the calculation.

Article 2

The LTV ratio

The entity authorised to provide consumer credit (hereinafter referred to as the “credit provider”) shall calculate the LTV ratio, expressed as a percentage, according to the formula

$$LTV = \frac{L}{V} \cdot 100,$$

where

L denotes the consumer’s total debt arising from consumer credit secured by the same residential property under Regulation (EU) No 575/2013 of the European Parliament and of the Council (hereinafter referred to as the “residential property”)¹ calculated according to the formula

$$L = NL + OL,$$

where

NL denotes the total principal of the new consumer credit secured by the residential property,

OL denotes the consumer’s total debt, including principal not yet drawn, arising from previously negotiated consumer credit secured by the same residential property as the new consumer credit,

V denotes the value of the residential property securing the new consumer credit, set pursuant to Article 113(3) of Act No. 257/2016 Coll., on Consumer Credit, as amended; where the consumer credit is provided for the construction or reconstruction of the residential property, the value of the residential property shall be set after the construction or reconstruction is completed.

Article 3

The DSTI ratio

The credit provider shall calculate the DSTI ratio, expressed as a percentage, according to the formula

$$DSTI = \frac{DS}{I} \cdot 100,$$

where

DS denotes the consumer’s outgoings arising from the consumer’s total debt pursuant to Article 4, calculated according to the formula

$$DS = \sum_i \frac{\sum_j P_{ij}}{t_i},$$

where

P_{ij} denotes the j^{th} principal payment, interest payment and directly related payment relating to the consumer’s i^{th} debt forming part of the consumer’s total debt,

t_i denotes the residual maturity of the i^{th} debt in months,

I denotes the consumer’s income, which means monthly after-tax income prudently assessed as being stable on the basis of a provably documented income history for a sufficiently long period; income comprises income from employment, income from self-employment, pension insurance income, supplementary

¹ Article 4(1)(75) of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as amended.

pension savings benefits, private pension scheme benefits, benefits for persons with disabilities, sickness insurance benefits, alimony and other similar regular income, income from letting or leasing immovable property, income from financial instruments and any other provably sustainable income.

Article 4

The DTI ratio

The credit provider shall calculate the DTI ratio according to the formula

$$DTI = \frac{D}{12I},$$

where

D denotes the consumer's total debt calculated according to the formula

$$D = L + OD,$$

where

L denotes the consumer's total debt arising from consumer credit secured by the same residential property, calculated similarly as for the LTV ratio,

OD denotes the consumer's total debt arising from previously negotiated loans other than those included in the calculation of *L*, including the principal of those loans not yet drawn,

I denotes the consumer's income pursuant to Article 3.

Article 5

(1) Before approving the consumer credit secured by the residential property, the credit provider shall calculate the credit ratio, for which the Czech National Bank has set an upper limit in a provision of a general nature pursuant to Article 45b(1) of the Act on the Czech National Bank, rounded to two decimal places.

(2) The amounts in the numerator and denominator of the credit ratios shall be in the Czech koruna. The exchange rate declared by the Czech National Bank for the day preceding the date of calculation of the credit ratio shall be used to convert amounts in foreign currencies to the Czech koruna.

Article 6

(1) A claim of the consumer arising from a deposit with the credit provider or from a debt security issued by the credit provider may be deducted from the consumer's debt to the credit provider if that deposit or debt security forms part of the collateral on the consumer's debt in question.

(2) The consumer's total debt shall not include the part of the consumer's debt that will be discharged by the new consumer credit secured by the residential property.

(3) If multiple consumers are obliged to service the new consumer credit jointly and severally, they shall be deemed a single consumer for the purposes of calculating the credit ratios. In such case, the calculation of the consumer's total debt shall include all debt arising from loans in respect of which the borrower is at least one of those consumers.

(4) Where the consumer's previously negotiated consumer credit or new consumer credit is secured by multiple residential properties, the denominator of the LTV ratio (*V*) shall be the sum of the values of the residential properties securing that consumer credit, set pursuant to Article 113(3) of Act No. 257/2016 Coll., on Consumer Credit, as amended.

(5) Where the residential property securing the consumer's consumer credit has been used to secure the consumer's debt arising from loans other than consumer credit or the debt of others, the denominator of the LTV ratio (*V*) may include, at most, the amount by which the value of that residential property, set pursuant to Article 113(3) of Act No. 257/2016 Coll., on consumer credit, as amended, exceeds the collateral on the consumer's debt arising from loans other than consumer credit and the debt of others against that residential property.

Article 7

Effect

This Decree shall take effect on 1 January 2022.

Governor:

p.p. Marek Mora,

Deputy Governor