NOTICE
on the risks of excessive indebtedness[1]
(Applicable as of January 1, 2025)

To achieve our plans, we may temporarily need more money than our existing savings and monthly income allow. Taking out a loan can help us achieve our goals more quickly, but **it is worth taking time to consider the risks** before making such a decision. If we take out a loan that is larger than our financial capacity, we may not be able to repay the loan in full and could face serious financial disadvantages.

What are the risks of taking out a loan?

When borrowing, the most significant risk is the risk of **defaulting on the loan**. In such a case, the debtor is liable for the significant costs and fees of default interest and debt management, and the debtor's default data may be transmitted to the Central Credit Information System (CCIS), making it significantly more difficult, and typically precluding, further borrowing. For more information on the CCIS (in Hungarian: KHR), please consult the Financial Navigator information booklet on the CCIS: https://www.mnb.hu/letoltes/kozponti-hitelinformaciosrendszer.pdf

If the debtor is persistently late with the repayments, the creditor can terminate the contract and demand payment of the debt in one lump sum. If the debtor has misjudged his ability to repay and has fallen into debt beyond his means, he may **lose the assets securing the loan, even his housing**. If the debt cannot be covered by the sale of the asset, the debtor may have to make additional payments.

When taking out a loan, it is important for borrowers to be realistic and rather cautious about their future ability to repay the loan, and to take out only the amount of credit that they can safely repay even if they have unexpected expenses, a decrease in income or an increase in the repayment rate!

The loan and interest are usually repaid monthly over the life of the loan. The interest on the loan can be **fixed** (fixed) or **variable**. **If you take out a loan with a variable interest rate, you run a higher interest rate risk: the interest rate and therefore the repayment amount of the loan can rise quickly**, even within three months, which can significantly increase the total amount you have to repay over the term. **This risk can be significantly reduced by choosing a product with a fixed interest rate during interest periods, or eliminated altogether by choosing a product with a fixed interest rate until the end of the term.**

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1 This notice was prepared in line with Paragraph 3 Subparagraph (3) of the Government Decree No. 361/2009 (XII. 30.) on the conditions of circumspect retail lending and the verification of creditworthiness. It is not possible to exclude all risks when borrowing a loan, therefore the National Bank of Hungary (the MNB) does not and cannot assume any liability for any losses related to the taken loan.

Before you take out a loan, you should consider several loan products and personalized offers, and also think about, or consult an expert on, how any changes to the terms of the loan will affect your repayments.

Before taking out a loan, please carefully review the terms and conditions of the loan. If you are interested in a loan product with a variable interest rate, always check how the interest rate is set (e.g. what the reference rate is for variable rates) and how often the interest rate may change (e.g. monthly, quarterly, annually, or typically every 5 or 10 years for longer fixed rates)! You should also find out what other charges and costs may apply in addition to the repayment instalments!

Before you take out a loan, think about whether you have reserves to use for repaying the loan in case of a possible drop in income. *If you can, it is advisable to build up a reserve that will enable you to continue repaying the loan for a longer period, up to 6-12 months, in addition to your living expenses.* ***If you find yourself in a difficult situation, contact the lender as soon as possible to discuss the possibility of rescheduling the contract. If you decide to redeem your loan, be aware that taking out a riskier loan with an increasing burden could easily lead you into a debt trap and you could end up paying off more and more debt!***

How much repayment can you afford, taking into account the risks?

Before you take out a loan, think about and try to calculate how much of your household income you can afford to pay back on a permanent basis. **Quantify your regular and estimated occasional expenses.** If you have several loans, their repayments should be added together. **Don't plan for the lower, starting interest rate, but for what you will have to pay in the long term, taking into account the risk of a possible rise in interest rates!** By choosing a permanently low repayment rate that matches your income, you can significantly reduce the risk of not being able to repay your loan.

From 1 January 2015, the Magyar Nemzeti Bank introduced a debt brake regime (MNB Decree 32/2014)

A cap on the value of the **payment-to-income ratio** (PTI) prevents borrowers from taking out new loans with a repayment burden that is too high compared to their regular, certified net income. Please note that the PTI requirement sets the maximum limit allowed by law. However, individual lenders may set stricter internal limits. In any case, the final decision should be determined by the actual long-term repayment capacity.

Payment-to-Income ratio (PTI) limits (except mortgage loans over 5 years)

What is your total monthly certified net income and those involved in the credit agreement as co-debtors?

What is the maximum percentage of the income which can be spent for loan repayment?

	below HUF 600,000	HUF 600,000 or above
HUF loan	50% (60%*)	60%
EUR or EUR based loan	25%	30%
Other FX loan	10%	15%

Payment-to-Income ratio (PTI) limits for mortgage loans over 5 years

What is the interest calculation method of the chosen loan?

- Fixed interest within a minimum 10 years long interest period / until the end of the whole term of the loan
- Fixed interest within a minimum 5 years, but not longer than 10 years long interest period
- Fixed interest within a maximum 5 years long interest period / variable interest

What is your total monthly certified net income and those involved in the credit agreement as co-debtors?

What is the maximum percentage of the income which can be spent for loan repayment?

	Fixed interest within a minimum 10 years long interest period / until the end of the whole term of the loan		Fixed interest within a minimum 5 years, but not longer than 10 years long interest period		Fixed interest within a maximum 5 years long interest period / variable interest	
	below HUF 600,000	HUF 600,000 or above	below HUF 600,000	HUF 600,000 or above	below HUF 600,000	HUF 600,000 or above
HUF loan	50% (60%*)	60%	35%	40%	25%	30%
EUR or EUR based loan	25%	30%	25%	30%	15%	20%
Other FX loan	10%	15%	10%	15%	5%	10%

***If the loan is for the purchase or construction of an energy-efficient flat or renovation of a flat to save energy.**

Example of PTI: Suppose you wish to buy a property with a loan and you do not have any outstanding debts. The monthly repayment of a HUF 30 million loan with a 20-year term, fixed for 10 years at 6,4% interest, would be HUF 221 909, which would result in a PTI of 55% (HUF 221 909 / HUF 400 000) for a proven monthly net income of HUF 400 000. This corresponds to the 60 percent PTI limit for 10-year fixed-rate products, meaning that this requirement does not restrict taking a loan for the purchase of energy efficient property.

For secured loans (e.g. mortgages, car loans), the LTV (**Loan-to-Value**) limit restricts the amount of credit that can be taken out in proportion to the value of the collateral (home, car), i.e. the maximum percentage of the value of the collateral that the financial institution can lend. Please note that the market value of the collateral, as determined by the lender, may differ from the actual purchase price!

At a minimum, the lender must comply with the ceilings shown in the following diagram when granting credit. It is important to note that the lender may expect more stringent conditions than these when assessing the loan! It is recommended that you also consider your individual situation and apply stricter limits!

Loan-to-Value Ratio (LTV) limits

What type of loan do you have?

	Mortgage loan	Real estate leasing	Car loan	Car leasing
	↓	↓	↓	↓
	The value of the exposure at the assessment of credit application in proportion to the market value of the collateral:			
HUF loan	80% (90%*)	85% (90%*)	75%	80%
EUR or EUR based loan	50%	55%	45%	50%
Other FX loan	35%	40%	30%	35%

*If, on the date of submitting the loan application, the customer is, or in the case of debtors the customers are, under 41 years of age and the customer(s) is/are a first-time home buyer(s), or if the purpose of the loan is to buy or construct an energy-efficient flat or the energy-efficient renovation of a flat serving as collateral.

Example of LTV: Assume that you wish to purchase an energy-efficient property by taking a forint loan. A mortgage is registered on the property securing the loan. The property to be purchased has a market value of HUF 40 million, as determined by the lender. The maximum loan amount is HUF 36 million (HUF 40 million * 90% = HUF 36 million).

Always inform yourself before deciding!

Before taking out a loan, find out about the different types of financing available and their conditions, so that you can choose the loan product that best suits your needs and financial capacity. You can find comparison applications and brochures on the websites of the service providers, the Credit and Leasing Product Selector application on the MNB website https://hitelvalaszto.mnb.hu/termekkereso, the Comparison Calculator for Qualified Consumer-Friendly Home Loans (minositetthitel.mnb.hu) for home loans, the Comparison Calculator for Qualified Consumer-Friendly Personal Loans https://minositetthitel.mnb.hu/kalkulator and the Loan Calculator https://minositetthitel.mnb.hu/kalkulator for calculating the approximate repayment instalments for HUF loans, the comparison of Certified Consumer-Friendly Personal Loans (https://minositettszemelyihitel.mnb.hu/nyito/kalkulator) for personal loans, and the Loan Calculator (https://hitelkalkulator.mnb.hu/) for calculating the approximate repayment installments of forint loans.

Ask the lender for detailed information on all the relevant terms of the loan, including interest rates, fees and charges, the possibility of changing interest and fee conditions, the total loan-to-value ratio, the calculated repayment instalment. Read carefully the credit agreement and the general terms and conditions, the terms and conditions and the notice which form part of it. If some parts are not clear, contact the administrator! Get free help from independent experts from the national Financial Navigator Advisory Network. (https://www.mnb.hu/fogyasztovedelem/tanacsado-irodak)