

Regulation

Amendments to Regulation No. 458/1999 on the Housing Financing Fund's Loan Classes with Subsequent Amendments

Article 1

A new sub-paragraph will be added to Article 2 of the regulation, titled sub-paragraph 9 and will read as follows: Loans to banks, saving banks and credit institutions for the purpose of temporarily refinancing mortgage loans.

Article 2

Article 4 will be amended as follows:

1. The word „Loans” in paragraph 2 will be replaced by the words: „Loans pursuant to sub-paragraphs 1-8 of article 2.”
2. The word „Loans” in paragraph 3 will be replaced by the words: „Loans pursuant to sub-paragraphs 1-8 of article 2.”
3. After the words „Loan amount” in paragraph 4, the words: „Pursuant to sub-paragraphs 1-8 of article 2”, will be added.

Article 3

A new chapter will be inserted following Chapter IX of the regulation titled: **Loans to banks, saving banks and credit institutions for the purpose of temporarily refinancing mortgage loans**, and will read as follows:

a. (Article 49)

Objective

Pursuant to sub-paragraph 9 of Article 2, loans may be granted by providing HFF bonds to banks, saving banks and credit institutions, in accordance with the Act on Financial Undertakings, in order to temporarily refinance mortgage loans issued on property in Iceland by these financial undertakings, given the intend is to ensure security and availability of mortgage loans in the housing market as well as to enhance normal price formation in the market. HFF bonds issued for this purpose shall exclusively be used as collateral in transactions with the Central Bank of Iceland.

b. (Article 50)

Announcements, Applications and Loan Agreements

Pursuant to Article 2, sub-paragraph 9, the Housing Financing Fund (HFF) shall announce its call for loan applications from banks, saving banks and credit institutions. The announcement shall state the total amount of loans to be issued in the loan class as well as the terms and conditions, including the premium as decided by the Minister, based on a proposal by the Board of HFF, in addition to the loan period. The announcement shall also state the minimum amount that each applicant is entitled to borrow, if requested by the applicant, provided that all conditions have been met. In the event that demand exceeds the issued loan amount, each amount will be decreased in proportion to the requested amounts, with regard to the minimum amount that each applicant is entitled to.

The Board of HFF will set further rules, approved by the Minister, regarding information in the announcement, the handling of applications, and loan agreements based on Article 2, sub-paragraph 2 on loan applications.

c. (Article 51)

Collateral

Pursuant to Article 2, sub-paragraph 9, financial undertakings must issue bonds as collateral for the loan. In accordance with provisions of Act No. 161/2002 on equity, financial undertakings must have a minimum equity ratio of 9% at the time of borrowing.

The Board of HFF will set further rules, approved by the Minister, regarding the format of the collateral bonds, the value of the underlying mortgage pool, and the terms and conditions of the loan agreements, i.e. the maximum loan to value ratio and limitations on endorsement on the underlying mortgages, strategies in case of default on specific mortgages in the underlying mortgage pool, HFF's strategies in case of a financial undertaking's equity ratio falling below 9%, as well as the duration of the agreements.

The issue of this regulation is based on sub-paragraphs 1-8 of Article 9, Article 16, Article 28 and Article 29 of the Housing Act No. 44/1998, and takes effect immediately.

The Minister of Social Affairs and Social Security, July 17, 2008.

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