

# Disclosure of Interest Rates on Financing and Saving Products

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## 1. OBJECTIVE

The purpose of these rules is to provide transparency to the market in terms of APR/AER of various products Banks have on offer for Retail, Micro and Small Enterprises and Finance Companies have on offer for Retail customers as defined by SAMA. It will further allow Retail, Micro and Small Enterprises to compare APR/AER between different financing and saving products offered by Banks and Finance Companies.

## 2. SCOPE

All Banks and Finance Companies authorized and regulated by SAMA in Saudi Arabia offering financing and saving products

## 3. Definitions

<b>Annual Percentage Rate (APR):</b>	The discount rate at which the present value of payments and installments that are due from the Borrower, representing the Total Amount Payable by the Borrower, equals the present value of all payments of the Amount of Financing available to the Borrower on the date on which the Financing amount or the first payment thereof is available to the Borrower (As per Article 81 of Implementing Regulations of the Finance Companies Law).
<b>Annual Equivalent Rate (AER):</b>	Interest rate for a savings account or investment product that has more than one compounding period. It is calculated under the assumption that any interest paid is included in the principal payments balance and the next interest payment will be based on the slightly higher account balance.
<b>Credit card purchase rate:</b>	Interest rate applied to purchases (cash or credit) made with a credit card. The purchase rate only applies to balances that are not paid in full by the end of the billing cycle.
<b>Loan/Finance amount:</b>	Amount of on balance sheet loan granted to the customer.
<b>Maturity:</b>	Contractual maturity of the on-balance sheet loans/ savings products given/taken to/from the customer. This is the final payment date of a loan/savings products at which point the principal (and all remaining interest) is due to be paid.
<b>Monthly payment amount:</b>	Installment amount the customer is obliged to pay to the bank or finance company each month until the debt is fully repaid.
<b>Minimum payment amount:</b>	Lowest amount the customer can pay on the credit card to avoid late payment penalties. Minimum payments are calculated as percentage of the outstanding balance plus any fees that have been added.

<b>Months until balance repaid:</b>	Number of months remaining if minimum repayment on credit card is made by customer each month.
<b>Property market value:</b>	Price negotiated between a willing buyer and a willing seller in an arm's length transaction after fulfilling valuation criteria set by the banks. The value may not be the current listing price or the amount of the most recent offer on the property.
<b>Loan to Value ratio</b>	Ratio of a loan provided by the Bank or Finance Company to the value of a property purchased and determined as property market value.
<b>Payment type:</b>	Interest only payments or, both principal and interest payments or else.
<b>Early payment charge:</b>	A fee the customer will be required to pay to a lender if the customer pays off a mortgage early and before the scheduled maturity term of the credit facility, also sometimes referred to as a Redemption Penalty.
<b>Deposit amount:</b>	Amount deposited with the bank in savings or investment products.

#### 4. DISCLOSURE REQUIREMENTS

- A. Banks are required to disclose and publish information for Retail, Micro and Small Enterprises products as specified in section 5 of these rules in a standard format on loan application forms, websites, social media and all other marketing materials used by them.
- B. Finance Companies are required to disclose and publish information products as specified in section 5 of these rules in a standard format on loan application forms, websites, social media and all other marketing materials used by them.
- C. Information disclosed should be only be quantitative.
- D. Financing limits, charges and tariffs should be subject to the relevant laws, regulations, and any other regulatory requirements.
- E. Disclosure should be made for all types of products, exposure classes and tenors within the scope of these rules.
- F. The process of calculation and factors that affect the pricing should be clarified for the purpose of transparency e.g. if Floating rates is used, this should be clarified.
- G. If one of the disclosure requirements in the disclosure forms is not applicable to a product, it should be clarified in the disclosure form as "Not Applicable - N/A" given that a reasonable justification is provided.
- H. For mortgage loans, which contain multiple features, Banks and Finance Companies should develop a mortgage calculator on their websites considering the inputs prescribed in section 5,C of these rules. For other printed materials, one example per type should be used. Banks and Finance Companies may add a footnote that in some cases, depending on the risk profile of the consumer, pricing can change for some customers as compared to the output from the mortgage calculators.

## 5. DISCLOSURE FORMS

Banks and Finance Companies should use the examples below as illustration with the minimum type of information the disclosure forms should include. Additional information can be added to the disclosure forms as long as the minimum requirements stated in this section are captured.

### A. Loans for different types, amounts and maturities

(Only disclose main lending - on balance sheet products and there is no need to disclose off balance sheet products)

**Example:** Term loan

Loan/ Finance Amount	Maturity in Years	*APR	Monthly Payment Amount
100,000	5 years	5.5%	1,901

\*APR may differ depending on the amount and the maturity period different from the above example and subject to credit scoring of each customer.

### B. All Credit Cards types and classes

**Example:** Platinum 28-months balance-transfer card

APR	Credit Card Purchase Rate	Minimum Repayment Amount %age	Months Until Balance Repaid*
19%	19%	5%	60 months

\*If only minimum repayment is made every month then it will take almost 60 months to repay the full amount keeping in view compounded interest added each month.

### C. Residential Mortgages

**Example:** First home buy\*

Property Market Value	Loan to Value Ratio	Fixed or Variable Rate **	APR	Maturity in Years	Payment Type	Monthly Repayment Amount	Early payment Charge
500,000	90%	Fixed rate	4.5%	25 years	Principal and interest/ Profit	19,378	Profit of future 3 installments

\*Banks and Finance Companies should disclose the repayment period for off-plan and self-construction products in the mortgage calculator.

\*\*Including initial rate (rate fixed for few years at the start of mortgage) and follow on rate (rate to be used once initial rate term is over) e.g. Fixed rate for few years and thereafter using variable rate e.g. 3 months SAIBOR + 20ppt.

### D. Financial Leasing Products for each type of assets

**Example:** Auto loan

Asset Type	Loan/ Finance Amount	Maturity in Years	APR	Monthly Repayment Amount	Residual Value
Car	200,000	5 years	5%	4,051	20,000

### E. Savings for each Class and Type of Product

**Example:** 2 years fixed term bond

Minimum deposit Amount	Maturity in years	AER	Number of Withdrawals Permitted in the 1 <sup>st</sup> Year	Number of Withdrawals Permitted in the 2 <sup>nd</sup> Year
20,000	2 years	1.5%	0	2

**6. IMPLEMENTATION DATE**

This requirement is applicable from 1 December 2019

