

Information on mortgage loans

According to the mortgage framework agreement and collateral agreement (or related supplementary agreements) which the borrower has taken out – or intends to take out – with Zuger Kantonalbank (the “Bank”), the Bank is entitled

- to transfer to a third party (the “Fiduciary”) the register mortgage certificates which it uses as collateral for the loans granted to the borrower, or to have such register mortgage certificates drawn up in the name of the Fiduciary, for the purpose of fiduciary administration and
- to transfer or pledge to a third party the existing credit relationship with the borrower, including the corresponding collateral.

For this purpose, the Bank is released from its banking confidentiality obligations within the above-mentioned agreements.

The purpose and background as well as implications of the above-mentioned contractual provisions are explained below.

Fiduciary administration of register mortgage certificates by a third party

Purpose and background

The appointment of a third party to administer register mortgage certificates on a fiduciary basis can help the Bank

- to meet a requirement for obtaining liquidity from the Swiss National Bank as part of the “Liquidity against mortgage collateral” initiative (see “Transferability” section below for further details);
- to more quickly and easily replace mortgages from another bank or have them replaced by another bank, provided the other bank likewise has its register mortgage certificates administered on a fiduciary basis; on replacement of the mortgage, therefore, only a transfer of the register mortgage certificates to the replacing bank’s account with the Fiduciary is required, thus dispensing with the need to change the mortgage certificate creditor in the land register;
- to enable or facilitate any transaction described in the “Transferability” section below.

Implications

When register mortgage certificates are transferred to or drawn up by the Fiduciary, the latter is entered in the land register as the holder of the real estate lien. The Fiduciary is therefore entitled to exercise the rights of the holder of the real estate lien. However, it is required to do so on a fiduciary basis, i.e. on the instructions and for the account of the Bank. On the instructions of the Bank, the Fiduciary must release the register mortgage certificates to the borrower or collateral provider as soon as the claims secured by these certificates have been repaid in full.

Transferability

Purpose and background

The transfer of the credit relationship in whole or in part, in particular of individual credit claims, including the corresponding collateral or the pledging of loan receivables, may help the Bank to:

- use mortgage loans for refinancing purposes, for example
 - by taking out mortgage bond loans with the Central Mortgage Bond Institution of Swiss Cantonal Banks;
 - by taking out loans with the Swiss National Bank as part of the “Liquidity against mortgage collateral” initiative;
 - by issuing covered bonds;
 - by taking out mortgage-backed loans from third parties (e.g. another bank) or through sub-participations of such third parties in mortgages;
- reduce its credit risks through the sale of mortgages to third parties;
- outsource particular business processes, i.e. where the Bank appoints a third party to conduct certain activities in its place, which may involve the transfer of mortgages to the third party;
- to be able to sell certain parts of the business to another bank in the event of a strategic realignment.

Implications

If the Bank makes use of its right of transfer, the third party which is acquiring rights and/or obligations arising from the credit relationship from the Bank (or in the case of a further transfer from the preceding third party) to that extent assumes the Bank's legal position.

If the borrower has not been notified that their mortgage has been transferred to a third party, the Bank remains the point of contact for all matters pertaining to the mortgage and all payments of interest and capital must continue to be made to the Bank. If the borrower is notified of the transfer of their mortgage, the payment instructions issued at the time must be followed. Objections or defences against the Bank which only arise after notification of the transfer can no longer be asserted against the third party in some circumstances, with the result that credit balances arising with the Bank after this notification can no longer be offset against credit claims.

The conditions agreed between the borrower and the Bank in the mortgage framework agreement, associated product agreements and collateral agreement for the mortgage, including the term and termination options, also apply to any acquirer of the mortgage. Once there are no longer any claims secured by the corresponding mortgage certificates against the borrower on the part of the Bank or third party, and no such claims could arise, the mortgage certificates must be released to the borrower or collateral provider, including in the case of a completed transfer of their mortgage.

Release from banking confidentiality and other confidentiality and data protection obligations

The transfer of the credit relationship and the fiduciary administration of register mortgage certificates involve the forwarding of associated data and information such as name of borrower and collateral provider, type of credit, credit collateral, credit amount, credit and collateral agreements, credit-related information about the financial circumstances of the borrower and the property subject to the right of lien as well as other information obtained in the context of provision and management of the loan. In addition to the Fiduciary and third party to which the mortgage is transferred or related rights are pledged, potential recipients of this data and information include rating agencies and other parties directly or indirectly involved in the transfer or pledge as well as in the associated legal transactions. The data and information mentioned may be made available to these recipients in any manner, i.e. in particular through forwarding via electronic data transfer or through forwarding of documents. Forwarding takes place exclusively in Switzerland.

Upon signing the mortgage framework agreement and the collateral agreement (or related supplementary agreements), the borrower or collateral provider agrees to the aforementioned forwarding of data and information and releases the Bank from its banking confidentiality and other confidentiality and data protection obligations in this respect. The Bank will only make data and information accessible to recipients which are also subject to the Swiss banking confidentiality and data protection provisions or which issue a corresponding declaration of confidentiality.