

ING Positions

Quality in mortgage consulting



March 2018

“Financing home ownership is not just a key business area for ING in Germany: it is also an important social task. To help our customers make the right financial decision, the advice we offer must be professionally qualified and perfectly tailored to their possibilities and needs. This is our commitment to them.”

Daniel Llano Manibardo
Senior General Manager



ING Germany's current financing terms: always online

The bank's website provides full price transparency. Customers and prospective buyers can examine the complete terms for all the fixed-interest periods on offer, for different loan amounts and loan-to-value ratios (www.ing.de/baufinanzierung/neufinanzierung/konditionen/). There is also information about regional interest discounts and major auxiliary conditions such as special repayment opportunities.

What are our aims?

- › We want to set new standards in mortgage consulting quality with our **holistic consulting approach**.
- › **Full transparency** must be the norm in consultation. This applies to both the payment of the consultant and the assessment of the property.
- › Our **qualification programmes** ensure that our sales partners can prepare specifically for the technical requirements for professional licencing.

What are we doing at ING in Germany to assure consulting quality?

“Qualifying” – the training programme

ING offers the “Qualifying” training programme for its sales partners. The programme was developed together with the Frankfurt School of Finance & Management and is available at <https://qualifying.fs.de>. Using a combination of e-learning sessions, webinars and on-site seminars, participating finance consultants get practical training in the skills required by the new EU Mortgage Credit Directive. The same high quality standards apply for our own ING consultants as for our sales partners.

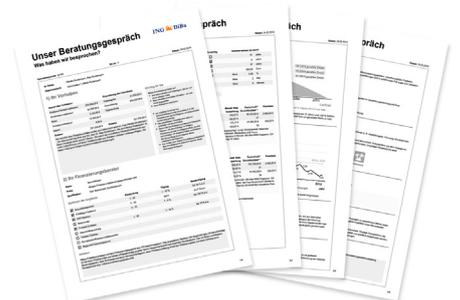
The consultation protocol

Another important tool for quality assurance in consulting is the consultation protocol (www.ing.de/beratungsprotokoll). To begin with, the protocol sets out the key points of the customer's economic situation, goals and preferences. Then it documents the result of the consultation and, in particular, the financing plan recommended by the bank. ING's consultants create and submit a protocol for each specific financing consultation. Partner consultants can use the protocol as a template to document their own customer service.

Qualifying

Frankfurt School
of Finance & Management

German Excellence. Global Relevance.



ING in Germany as mortgage lender – facts and figures

ING is one of the largest financiers of private home construction and purchasing projects in Germany. At the end of 2017, the loan volume amounted to around 69 billion euros. The volume of new business in 2017 was almost 9 billion. Customers can use the bank's services in many different ways. Our home loan experts provide advice online and by telephone.

ING also works with a large number of independent sales partners who forward their customers' loan requests to the bank. A face-to-face consultation is possible through selected partners; for example, at more than 100 offices of the mortgage broker Interhyp. In total, more than 3,000 financial experts are available.

What does the EU Mortgage Credit Directive do and what is ING's position towards it?

The law implementing the EU Mortgage Credit Directive came into force on 21 March 2016. Its central objective is to strengthen consumer protection in the granting of mortgage loans. Here are some of the law's key provisions:

Consulting standards / Rules for credit scoring

The standards for good advice are now regulated by law. This includes the duty of the creditor to obtain all the necessary information about the borrower's personal and financial situation and objectives. Based on this information, the creditor can make a specific product recommendation, which must be documented for the customer. Consultants are also obliged to inform the prospective house builders or buyers of their estimate of the property value – thus providing a reference point for the fairness of the price.

Now, in addition to the existing requirements of the Federal Financial Supervisory Authority the German Civil Code also regulates, how creditworthiness has to be checked. The idea is to focus primarily on the financial capacity of the borrower and not only on the value of the property.

The principles of good advice and creditworthiness already belonged to the quality standards of ING.

Professional licence for intermediating home loans

Real estate loan brokers need permission to operate from the trade authority. The requisites include a certificate of competence and proof of professional liability insurance coverage. Approved brokers also have to be in the authorised register of intermediaries.

ING in Germany sees this as an important step towards improving the quality of advice. Only properly qualified intermediaries are able to operate in this environment.

Introduction of the fee-only advisor

The legal definition of the "fee-only financial advisor" is also new. A fee-only advisor may not accept payment from loan providers or be dependent on them in any way. The adviser's service will be paid for solely by the customer.

ING welcomes this new professional profile. It encourages transparency and enables consumers looking for a mortgage to choose between commission-based and fee-based advice.



The challenge of low interest rates – focusing on customer safety

Unlike savers, homebuilders and buyers can profit from the current very low interest rates. On the other hand, real estate prices in many German regions have strongly increased. Special features of annuity financing mean that, at favourable contract rates and low credit rates, the repayment of debt takes significantly longer than in high-interest-rate phases. At a later stage, follow-up financing can run into problems caused by rising interest rates.

ING helps its customers to keep these risks under control. In order to enable faster debt reduction, we recommend the arrangement of higher repayments. To obtain financing, a customer must be able to afford long-term annual repayment contributions of at least 3% of the initial loan amount. In addition, we check the value of the property using a market database.

With more than nine million customers, ING is Germany's third-largest retail bank. Its core retail banking services are savings, securities, mortgage lending, consumer credit and current accounts. The bank is accessible to its customers every day, around the clock. ING Wholesale Banking takes care of corporate clients, including large, internationally operating companies, the public sector, banks, insurance companies and other institutional investors. More than 4,000 employees work for ING in Germany at its offices in Frankfurt (headquarters), Hanover, Nuremberg and Vienna.