

Mortgages statistic (NMS)

Methodological Note



National Statistical Institute (INE)

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1 Introductory note

The mortgage loans statistic was implemented by Government Presidency Order on 28 December 1954.

It was subsequently modified by Government Presidency Order of 7 July 1986 and was called Mortgages Statistic.

Its objective was to collect data on **mortgages closed** monthly on fixed assets, real estate and boats.

This statistic covered information produced in the property registers (fixed asset and real estate mortgages) and mercantile registers (mortgages on boats) in the whole country.

The first Mortgage Statistic monography was published in 1989 with results from 1986 and 1987.

Subsequently and to speed up the annual publications, the monographic publication was replaced by the publication of **annual tables**. The first data published in this way refer to 1991. The publication of this information has been offered in magnetic support since 1994 and appeared on the Internet as of 1998.

During 2002 and 2003, the National Statistical Institute has carried out a major statistical reform. What is most noteworthy is that while up to 2003 data were provided by each one of the property registers to the corresponding provincial delegation by means of a standardised questionnaire in paper support and subsequently sent to central departments. As of now, by virtue of the collaboration agreement signed recently by the College of Property and Mercantile Registers of Spain and the National Statistical Institute, data come directly from the Information Systems Department of the Official College of Property and Mercantile Registers of Spain.

Moreover, from January 2004 only data on real estate mortgages will be published.

The National Statistical Institute would like to express its gratitude to the College of Registers which participated in the elaboration of this reform.

2 Objectives

Creation of Mortgages

The main objective of this statistic is to offer the number of new mortgages created during the reference month on properties (rural, urban and other types) and entered in the Land Registers. The amount refers to new loans corresponding to the aforementioned mortgages.

The INE's Mortgages Statistics do not provide information on the total number of existing mortgages in the mortgage market in a specific month, nor on the outstanding balance on the mortgage loan.

Change of Mortgages

The Mortgages Statistics count a change as any action taken between the parties that could modify mortgage obligations. In general, a mortgage change happens when the original conditions of the mortgage loan change. These changes include: when the owner of the mortgaged property or the holder(s) of the loan change(s), a change in interest rates, a change in the amount of capital borrowed, a change in the repayment terms established, etc.

The Mortgages Statistics count the total number of changes to mortgages formalised in the novation and subrogation deeds entered in the Land Registers during the reference month and classify them in accordance with the following types:

- Creditor subrogation of mortgage: is the process by which the mortgage loan changes bank, with the aim of modifying either the agreed or current, ordinary or delayed interest rate conditions or an extension to the loan period, or both. In this case, the debtor subrogates their mortgage loan to the new creditor.
- Debtor subrogation of mortgage: is when the modification consists of a change in the owner(s) of the mortgaged property, without the mortgage loan changing bank. An example of this kind of subrogation is when an individual or legal entity buys a property from someone that has a mortgage charge, and the buyer of the property subrogates the seller's mortgage loan.
- Modified novation: when the modification to the mortgage obligation happens within the same bank. Novation happens when the debtor negotiates new mortgage conditions with their bank. These new conditions can relate to the interest rate, the amount pending, the repayment terms or even the holders of the loan (the removal of any of them, etc).

Among the possible changes that can be made to a mortgage loan, the Mortgages Statistics only analyse information corresponding to the number of mortgage loans where interest rate conditions have changed during the reference month.

At the moment, it isn't possible to analyse the number of changes produced by modifications to other mortgage conditions that are different from the interest rate, such as an increase in the capital borrowed or the mortgage period set out.

Cancellation of Mortgages in the Register

The Mortgages Statistics count the number of mortgages that have been completely cancelled during the reference month and where the official cancellation has been entered in the corresponding Land Register.

The Mortgages Statistics do not count the total number of total mortgage loan cancellations on the market. They only provide information on the total number of cancellations that are formalised in cancellation deeds and are entered in the Land Register.

3 Scope of investigation

3.1 POPULATION SCOPE.

The population studied is made up of the set of property registers.

3.2 GEOGRAPHICAL SCOPE.

The geographical scope of this statistic covers the whole country.

3.3 TEMPORAL SCOPE

The statistic is carried out monthly.

4 Variables investigated

4.1 MORTGAGE

This is a contract by means of which a loan is obtained offering the guarantee of an asset (fixed asset or real estate), whose value covers the risk of non-payment.

The objective of the Mortgages Statistic includes mortgages closed for real estate (rustic, urban and others) and registered in the property registers.

Mortgages are classified into voluntary or legal according to their source.

- **Voluntary.-** Those mortgages agreed between parties or put forth by disposition of the owner of the assets on which they are established, are voluntary. Only those who have the free disposition of these or, in case of not having free disposition are so legally authorised. The following is required:

1º That the mortgage be written as a public deed

2º That the deed be registered in the property register

- **Legal.-** That the legally mortgaged assured rights or loans cannot be granted until they are requested.

Only those mortgages admitted by laws for this purpose will be legal. Persons covered by the legal mortgage Law will not have another right than to request the closure of a particular mortgage sufficient to guarantee their right.

The registration of title based on which the legal mortgage is closed, is required to establish its validity.

The legal mortgage, once closed and registered has the same purpose as the voluntary mortgage, without more particularities than those expressly covered by Law, whoever the person exercising the rights conferred by the mortgage.

4.2 PROPERTY REGISTER

There are Property registers in all the towns where they have been established. Nevertheless, the Ministry of Justice, at the request of the General Directorate of Registers and Notaries, and with the regulatory formalities, when it so suits public service, and taking into account the volume and movement of titles on real estate and real rights, will be able to, upon hearing the Council of State, agree to the establishment of new property registers in certain locations as well as the modification or suppression of those existing ones.

4.3 OFFICIAL COLLEGE OF PROPERTY AND MERCANTILE REGISTERS OF SPAIN INFORMATION SYSTEMS DEPARTMENT

Among other duties, it is responsible for receiving all the registrations carried out in the property registers.

This department provides the National Statistical Institute with monthly computerised information necessary to elaborate the statistic.

4.4 MUNICIPALITY

Administrative territorial unit, made up of a population and certain extension of surrounding territory called a municipal area. All this is governed by a town council.

4.5 PROVINCE

Each one of the administrative divisions in Spanish territory.

4.6 MORTGAGE HOLDER

The holders of the mortgaged asset may be, among other persons, physical or legal persons.

- **Individual.**- A physical person is defined as any human individual who is subject to rights and obligations.
- **Legal entity.**- Corporation, association or foundation of public interest and recognised by the law. Does not have physical individual existence. Any association of particular interest whether this is civil or mercantile, to which

the law grants a personality independent from its associates is also a legal entity.

4.7 TRANSACTION CLOSURE DATE BY MEANS OF GRANTING THE DEED

Date on which the transaction that guarantees the mortgage by means of a deed is formalised.

4.8 REGISTRATION DATE

Date on which the mortgage deed is registered in the property register.

The registration date is considered for all practical purposes to be the presentation date which should be appear on the same registration. Registration is made in the property register in whose territorial area the mortgaged goods are made.

This date does not have to coincide with the date the transaction is closed by means of deed.

4.9 REFERENCE MONTH

The reference month is taken as the date of registration in the property register due to being the moment when the mortgage is finalised.

4.10 GUARANTEED TRANSACTION

The transaction that is guaranteed in a mortgage finalisation may be:

- **Mortgage loan.**- contract by which one party gives money to another party with the condition that it be returned within an established period. When the loan is carried out with the guarantee of an asset whose value meets the risk of non-payment, it receives the name of mortgage loan. This is the name most used in the finalisation of mortgages due to their favourable physical treatment (broad amortisation periods, low interest, tax write-off, etc.).
- **Loan.**- For mortgages finalised in favour of banks, savings banks and duly authorised credit companies, to guarantee exchange and credit transactions, the amounts of the assured obligation may be agreed upon, according to the requirements set out in Law. This heading groups together the guaranteed transactions by means of loan account and loan opening.
- **Other transactions.**- This includes the rest of the transactions that are guaranteed in a mortgage agreement.

4.11 LENDING BANK

Entities which grant mortgage credits or who guarantee financial transactions. These entities are classified into banks, savings banks, credit cooperatives/rural banks, financial credit establishments, physical persons, public entities and other legal entities.

4.12 GUARANTEED CAPITAL

Amount resulting from the mortgage guarantee.

4.13 APPRAISED VALUE

Evaluation of the mortgaged assets with maximum and minimum prices. The appraisal carried out by an appraiser so that the appraised value given on the mortgaged assets serves as a reference in the case of an auction due to non-payment. The maximum value will be noted in the statistic.

4.14 COSTS

Sum that represents the legal costs caused by the additional guarantees which are neither principal nor interest.

4.15 AREA

Area that the mortgaged asset occupies. According to the characteristics borne in mind the area may be:

- **Built surface area.**- Built area of a building, including space not suitable for living or use.
- **Useful surface area.**- Built surface area of the building suitable for living or use (does not include space occupied by partition walls, common elements, etc.).
- **Land area.**- Total surface area.

4.16 NATURE OF THE BUILDING

Mortgaged buildings are classified according to their nature into rustic, urban and of another nature.

Rustic nature. They are considered rustic buildings when they belong to rural areas or are located in the countryside. Rustic buildings are broken down into the following classification:

- **Non-irrigated.**- Rustic area without irrigation. Their crops are only obtained with rainwater.
- **Irrigation.**- Rustic area that may be irrigated and its crop obtained by means of some irrigation system.
- **Rustic dwelling.**- Construction used for dwelling, outside the city limits.
- **Rustic agrarian building.**- Construction used for agrarian purposes. Includes, silos, granaries, barns, livestock operations, etc. and other analogous buildings for agrarian use, determined in Law and Mortgage regulations.
- **Agricultural use.**- Rustic area used for field labour or cultivating land or livestock. This may include or not dwelling/s, industrial buildings or other buildings. For example: country estates, farms, etc.
- **Other rustic buildings.**- Includes rustic buildings and edifications not considered in the five previous headings.

Urban nature.- Buildings are considered urban when they are located within a city or on land that is made suitable for creating or developing an urban nucleus. They are broken down into the following classifications.

1. Housing

- **Flat with annexes.**- An annex is denominated as any element that cannot be separated from the dwelling because it serves for its use. In other words, this paragraph includes those dwellings which, apart from the flat, also have a garage or/and a storage room, not destined for the dwellings and usable for other uses. This is considered in the horizontal partitioning law and is recorded in the public deed for the dwelling.
- **Flat without annexes.** Dwellings that do not have any rooms depending on them. This heading also includes flats which, having annexes, have an independent deed and when they are mortgaged, there is a differentiated part of the loan independent of the flat, which corresponds to the annex.
- **Semi detached house.**- Single family dwelling joined by right and left partition walls from its main facade to other single family dwellings. This may be with one or various floors, with or without annexes and be within a plot of land which is the same or larger than the building. This heading will also list semi detached dwellings (dwellings built in such a way that they are joined by a lateral wall in groups of 2 dwellings). They may have one or various floors; have annex or not; be within a lot which is the same or larger than the building.
- **Detached house.**- Built, detached single family dwellings, in other words, all the walls are independent. This may be one or various floors; have annexes or not; be on a lot of land which is the same size or larger than the building.

1. Lots

- **Unedified land.**- Urban soil without buildings, independent of whether it constitutes a lot or not. In the case of rustic urbanisable soil lots will be included (for example, an urbanisation).

2. Other urban land

- **Commercial premises.**- Those premises whose main activity is commercial are included in this section.
- **Garages.**- Public or private car parks are included. They also include those private garages within a building for dwellings or other purposes, but with independent folio recorded on its own page.
- **Office.**- Premises destined to provide public services, but not for commercial use.
- **Lumber room.**- This includes premises with its own page and use not specified under other premises headings, but those included in the building of the owner's dwelling, and those that are in another building.
- **Industrial building.**- Each area of space that extends between walls to form a factory, store or other industrial type construction.
- **Building destined for dwellings.**- Building whose main purpose is dwellings, independently of also being able to have commercial premises and/or garages and stores.
- **Other buildings not determined previously.** Buildings (or building complexes) whose main purpose is not for dwellings. In other words, schools, hospital clinics, residential, cinema, hotels, etc. As with the previous heading, the notation of the company registration will be made just once under this heading with the total loan amount, costs and appraisal value as well as the rest of the requested variables.
- **Urban use.**- Total building capacity for the industrial area, sector or unit concerned once the square metres for construction destined for obligatory building are calculated.
- **Other urban use.**- Urban buildings, not classified in previous headings will be included in this section.

Of another nature

- **Administrative concessions.**- This heading will include all the permits granted by the administration (mines, water, petrol stations, motorways, etc.).
- **Of another nature.**- This section will include the building whose nature does not come under any of those previously classified as rustic or urban, such as green areas, hermitages, ocean landfill, etc.

4.17 DWELLING REGIME

This variable covers information on the dwellings protection regime, in other words, if these are free or have any official protection regime.

4.18 STATE OF BUILDING CONSTRUCTION

The state of construction of the lot refers its state of construction or building located in a lot. In urban buildings, classification is of two types: if the work is under construction or being projected; or otherwise if the work is finished. Unfinished buildings are also classified.

4.19 INTEREST RATE

Amount that is paid as remuneration for the availability of a sum of money taken as a loan. This statistic refers to the rate paid for the concession of mortgage loans. They are classified in: fixed or variable interest rates.

- **Fixed interest.**- Interest that does not vary for the duration of the loan, in other words, the percentage remains fixed. The annual effective rate or APR is not covered. The initial rate will be listed.
- **Variable interest.**- When the rate does not remain fixed for the duration of the loan. The variable interest consists of a reference index (for this statistic the reference indices are classified in eight). The initial rate will also be noted.

4.20 TYPE OF MORTGAGE

As described above, mortgages may be voluntary or legal.

4.21 DETERMINATION OF THE MORTGAGE PERIOD

The period foreseen for the duration of the mortgage for the payment of the mortgage loan (or other guaranteed transaction) may be specified in various forms. This statistic considers the following:

- **Fixed period.**- The mortgage loan is amortised in a number of fixed monthly payments, independently of the quota that may vary monthly until the whole loan is amortised.

5 Collection method

The data are received by the Official College of Property and Mercantile Registers of Spain. The information systems department is responsible for collecting information from property registers and supplying this information to the INE in magnetic support. It is therefore an administrative statistic.

6 Treatment of the information

The data obtained are subjected to filtering programs in order to rectify possible errors.

Once the data have been filtered, there is a data imputation and estimate phase, in order to factor the results obtained to the population object of study.

7 Dissemination of the information

Once the collection, treatment and estimation phases have been finished, the information is tabulated.

Provisional information is disseminated monthly by means of a press release that incorporates a set of tables with the most relevant data.

Data with definitive results are disseminated annually. An electronic publication is elaborated with monthly and annual summaries with definitive data for the national, autonomous communities and provinces totals.

All the corresponding information for this statistic may be found on the INE web page. <http://www.ine.es/en/welcome.shtml>