



### Due to the Covid-19 pandemic

## CMF issues regulation for the use of surplus mortgage collateral in SMEs loans

- *The amendments allow surplus housing mortgage collateral to be used as a safeguard for commercial loans aimed at small and medium-sized enterprises.*

**May 25, 2020** – The Financial Market Commission (CMF) reports that it has issued a regulation allowing financial institutions to use surplus housing mortgage collateral as a safeguard for commercial loans aimed at small and medium enterprises (SMEs). The amendments to Chapter B-1 of the Compendium of Accounting Standard enable the use of excess home mortgage collateral in the standard mortgage portfolio provisioning model as a mitigator in the standard group business model.

On March 23, 2020, the Commission announced a package of measures to facilitate the flow of credit to businesses and households, and to mitigate the effects of the Covid-19 pandemic on the financial system. Among them is the use of excess mortgage guarantees for housing as collateral for commercial loans to SMEs.

The regulatory proposal was in public consultation between April 13 and 24, 2020. Said regulation reflects the comments and doubts of the industry and fulfills the commitment made. It reduces the provisions of the group's commercial portfolio by about USD 50 million in a static scenario, an amount that should be even higher once the new regime is in place.

The CMF expects that this regulatory incentive will be matched by similar efforts from the banking sector, and that the resources released in provisions will be indeed used to support SMEs in the current situation. This is notwithstanding the importance of keeping adequate risk management policies.

To consult the details of the regulation, interested parties can access the [Regulations](#) section of the CMF website. Additionally, the Commission makes available a [Regulatory Report](#) evaluating the impact of this proposal.

### Measures for banks and cooperatives due to Covid-19

The amendments for the use of surplus mortgage collateral are part of the package of measures for banks and cooperatives introduced by the Commission to respond to the Covid-19 pandemic. Such measures include:

- Measures to facilitate the flow of credit to businesses and households. Regulatory treatment that facilitates postponing up to three installments in the payment of mortgage loans.
- Extension of the Basel III implementation timeframes.
- Easing the treatment of provisions required from banks to reschedule loan installments.
- Allowing a part of State-backed guarantees to be added to additional provisions.
- Extending special treatment of provisions to reschedule commercial loan installments.
- Issuing a Circular Letter on the treatment of provisions and information requirements for Covid-19 loans.
- Extending the treatment of provisions to reschedule loan installments to life insurance companies and mutuals.

The details of these measures are available on the [CMF website](#).

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