Informational brochure on foreign currency loans

This informational brochure is meant to provide you with detailed information on the importance of concluding a property-consumer loan in foreign currency (hereinafter referred to as a "foreign currency loan") and will explain the risks associated with concluding a foreign currency loan of this nature and the special rules for foreign currency loans.

What is a foreign currency loan?
"Foreign currency loan" means a property-consumer loan agreement in which the credit is

a. denominated in a currency other than that in which the consumer receives the income or holds the assets from which the credit is to be repaid; or

b. denominated in a currency other than that of the member state in which the consumer is resident.

Whether alternative (a) and/or alternative (b) must be present for a foreign currency loan is determined in accordance with national law. National legislators may have reached different or deviating definitions.

Example
For instance, if you are a resident of Germany at the time that the agreement is concluded, the property-consumer loan agreement concluded in Swiss francs with Credit Suisse AG is a foreign currency loan.

Which special rules apply to a foreign currency loan?
In some jurisdictions, the consumer has the right to convert the credit agreement into an alternative currency under specified conditions. For details, refer to the relevant agreement document and the ESIS information sheet.

Depending on the jurisdiction, the consumer may have the right to convert the credit into

a. the currency in which the consumer primarily receives income or holds assets from which the credit is to be repaid, as indicated at the time the most recent creditworthiness assessment in relation to the credit agreement was made; or

b. the currency of the member state in which the consumer either was resident at the time the credit agreement was concluded or is currently resident.

In some jurisdictions, the consumer may not have the right to convert the currency of the credit. Other precautions have been taken by the relevant legislator in order to limit consumers' exposure to existing exchange rate risk in the scope of the credit agreement. In addition, there is no right to convert the currency of the credit if the loan is not a foreign currency loan.

For a foreign currency loan, the borrower may request that the currency of the loan be converted into the national currency if an exchange rate risk is realized for the consumer at a fluctuation in the exchange rate of more than 20%.

Which risks in particular are associated with a foreign currency loan?
A foreign currency loan is associated with risks which could result from fluctuations in the exchange rate (foreign exchange risks). Fluctuations in the exchange rate may occur between the currency of the loan agreement and your national currency or income currency. In order to comply with payment obligations from the loan, higher amounts of your national currency or income currency will be required in the event of a rise in the exchange rate for the currency of the loan agreement. These fluctuations in the exchange rate are unpredictable.

A potentially desired interest rate advantage in comparison to a loan in your national currency or income currency may be lower, may completely disappear, or may turn out to be a significant disadvantage for you.

If the foreign exchange risk is realized, the interest rate level will be significantly more expensive than at the time the foreign currency loan agreement is concluded.

For this reason, please review your economic circumstances prior to concluding the business transaction to ensure in particular that you can afford the interest and repayment in the event that the interest rate and/or exchange rate develops unfavorably.

Contact us
Your relationship manager will be happy to help if you have any questions.