



CBUAE issues notice outlining measures taken to alleviate burden of rising interest rates on residential mortgage loans for UAE nationals

Abu Dhabi (04 July 2023): The Central Bank of the UAE (CBUAE) today issued a notice to all banks and finance companies in the UAE outlining the measures taken to alleviate the burden of increased interest rates on residential real estate loans for UAE nationals (non-investment real estates). .

The measures, which come into effect as of 1st July 2023, cover all residential real estate loans, including loans with an increased Debt Burden Ratios (DBRs), where banks have not postponed any of the interest until after repayment, in addition to loans with non-increased DBRs where banks have postponed the interest incurred as a result of the higher interest rates.

The CBUAE has stated that for customers with a monthly income of AED 40,000 or more, banks are permitted to exceed the rate of deduction from the salary or income specified in the regulations, currently set at 50%, to cover the increase in interest rates, up to a maximum of 60%, provided that banks bear the remaining uncovered interest as a result of the increase in interest rates. This essentially exempts customers from the remaining interest with no extension of the tenor.

Additionally, for customers with a monthly income of less than AED 40,000, banks are permitted to extend the repayment tenor to cover the increase in interest rates, up to a maximum of 30 years, while maintaining the percentage of deduction from salary or income at 50% as is currently in force, provided that banks bear the remaining uncovered interest as a result of the increase in interest rates.

This notice was issued following approval from the CBUAE Board of Directors on a set of measures aimed at easing the burden of increased interest rates on residential real estate loans for UAE nationals. This is also in light of the results of a study conducted by the Central Bank, with participation of a number of banks, and after the consultations that have taken place with banks through the UAE Banks Federation, on the impact of high interest rates on the assets, investments and customers of banks.

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