# RENEGOTIATION, SUBROGATION AND EXTINCTION OF MORTGAGE LOAN

If the borrower realizes that his or her financial capacity has changed, due, for example, to the loss of a job or an unexpected expense, or that there are currently more advantageous interest rates than those originally stipulated in the contract, he or she is entitled to renegotiate his or her mortgage.

**Renegotiation** is always **free of charge** and can be requested by the borrower at any time. However, it is necessary for the intermediary to give its consent with respect to the new contractual conditions requested by the debtor. Renegotiating the mortgage means **being able to change certain elements of the original contract**, such as the term and interest rate (and thus the amortization schedule), or the fees.

Thus, it is possible to change the level of the interest rate charged, or to switch from a variable-rate mortgage to a fixed-rate one, to precisely fix the value of the installments and the overall debt. Renegotiation also involves changing the term of the mortgage, from 20 to 30 years, for example. In this case, interest increases, but the amount of individual repayment installments decreases.

## Mortgage subrogation

Mortgage renegotiation should not be confused with **subrogation**, that is, **mortgage portability**. The borrower can transfer the mortgage to another intermediary, even changing its parameters such as rate, fees and duration.

Subrogation is at **no cost**, with no payments or penalties to be paid by the borrower other than the payment of the mortgage fee. In order to verify that the new mortgage is really advantageous, it is necessary to check the conditions and costs of the mortgage already taken out (rate, installments, duration, remaining principal, etc.) and to reason about what advantages one would like to obtain by entering into the new contract with the new intermediary, for example: lower installments, flexibility in repayments, savings on interest, greater liquidity, etc. It is recommended, therefore, to screen as many offers as possible in the market.

Mortgage portability can be requested at any time. For example, if the new bank agrees to provide the subrogation mortgage, the amount granted will not exceed that of the outstanding debt of the original mortgage. The "old" bank, in such a case, cannot object and will have to finalize the portability transaction to the new intermediary within 30 working days from the latter's request for information on the original mortgage.

Portability or subrogation makes it possible to pay off what is still owed to the "old" intermediary by using the sum granted by a "new intermediary" and maintaining the mortgage on the property: the remaining sum will be repaid according to the amortization schedule agreed with the "new" intermediary.

## Early termination of the mortgage

Again, do not confuse subrogation with early mortgage extinction, another transaction for which customers who need to apply for additional financing can opt.

With early mortgage extinction, **the borrower has the option of repaying the entire outstanding principal granted by the bank** (or a portion of it), **before the contractual maturity date.** Extinguishment, therefore, interrupts the amortization plan, that is, the repayment in installments of the mortgage, as there is no longer any amount to be repaid.

In the event that the borrower repays part of the entire repayment, the amount of principal owed by the customer will decrease. In mortgages in which the term of the repayment plan does not change, the amount of installments will decrease in proportion to the remaining principal and less interest. In cases where, on the other hand, it is the portion of the installment that does not change, the duration of the repayment plan will decrease.

The request for early repayment (in whole or in part) of mortgages for the purchase or renovation of property used for residential purposes (or for the performance of one's professional activity) is also free of charge to the customer []. Once repayment is completed, the mortgage is extinguished and the mortgage on the property as collateral for the intermediary is cancelled.

The Unified Banking Law [IPERTESTO] (Article 120-ter) specifies that any clause or agreement that provides for a cost for early repayment must be considered null and void, and therefore has no effect.