

FIDUCIARY LIEN ON REAL ESTATE FINANCING

A Brazilian Success Story



EMF-ECBC
Academy Training
& Market Update

Quarterly Meeting



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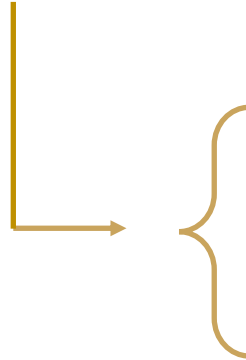
Managing Director | ABECIP

Seville, September 21, 2026

REAL ESTATE FINANCE COLLATERAL: MORTGAGES

Until 1997, traditional mortgages were the sole collateral instrument used in Brazilian housing finance.

In a default, enforcement followed one of two paths: judicial or extrajudicial.

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- Extrajudicial enforcement was frequently stayed by the courts;
 - Judicial enforcement was slow (seven years on average).

Result: high delinquency

1997

The fiduciary lien on real estate financing was established by law with a strong extrajudicial enforcement procedure.

A single asset, where debtor and creditor have specific rights:



The Brazilian mechanism is not a common-law trust and is not merely a mortgage.

DEFAULT TRIGGERS A DEFINED PROCESS

The process combines formal notice, public auctions and judicial review.



1. Extrajudicial notice

CURE PERIOD

15 days | or 45 days for residential property

2. If the default is not cured:

2.1

Title consolidation

Title transfers to the lender, and the property proceeds to two public auctions.

2.2

Surplus proceeds

Proceeds above the debt and charges are returned to the borrower.

2.3

Any outstanding balance

Forgiven for housing loans; recoverable in other cases.

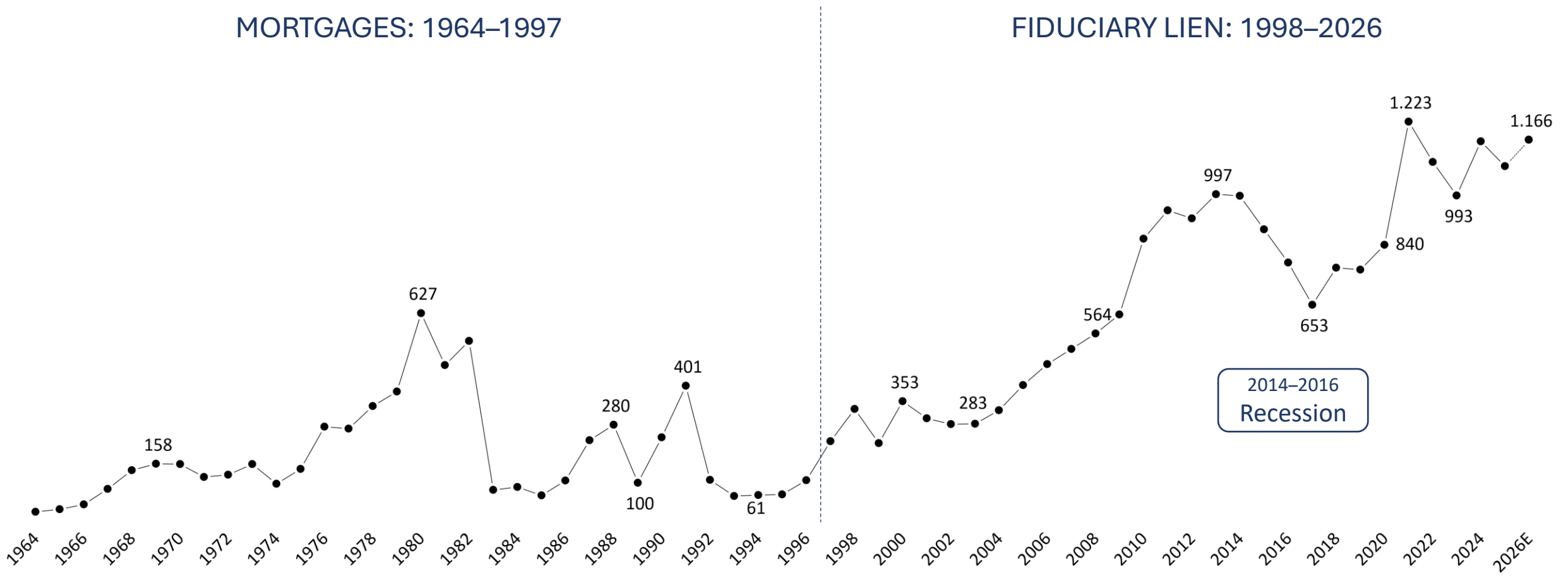
2.4

Repossession

An injunction is granted within 60 days after consolidation.

REAL ESTATE FINANCING: thousands of units

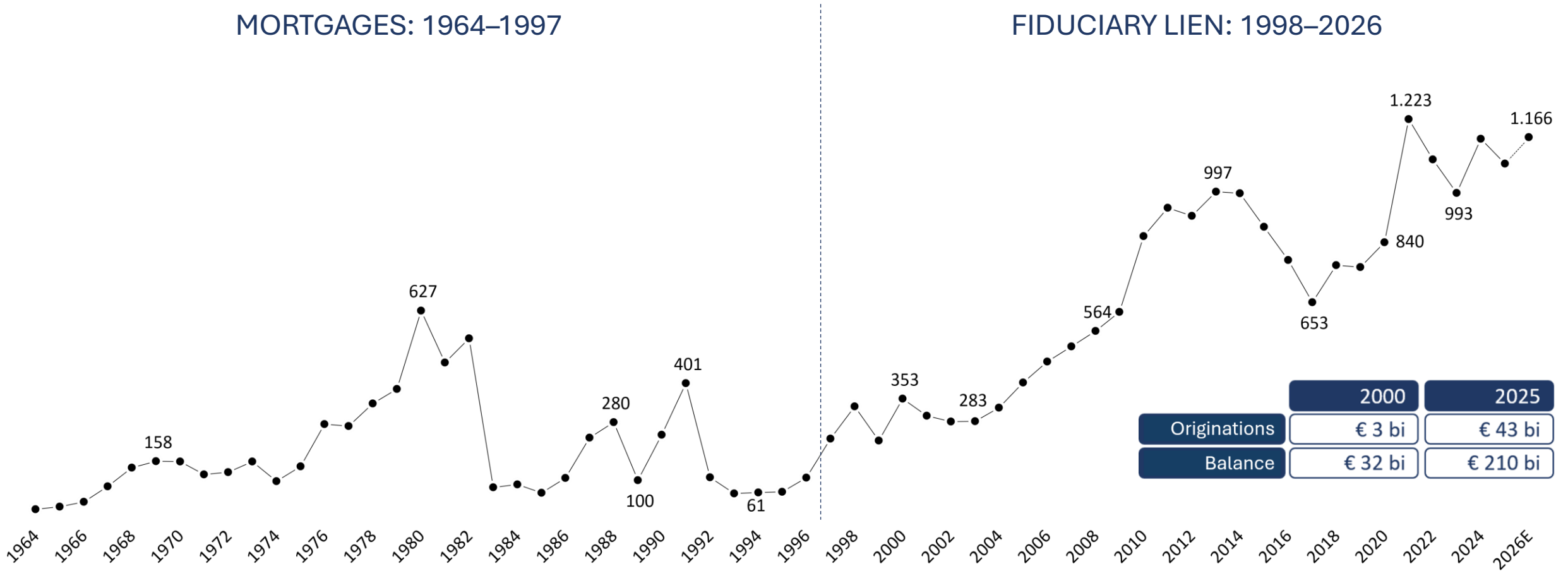
From the 2000s onwards, real estate financing began to show an upward trend



Source: Abecip and Central Bank of Brazil.

REAL ESTATE FINANCING: thousands of units

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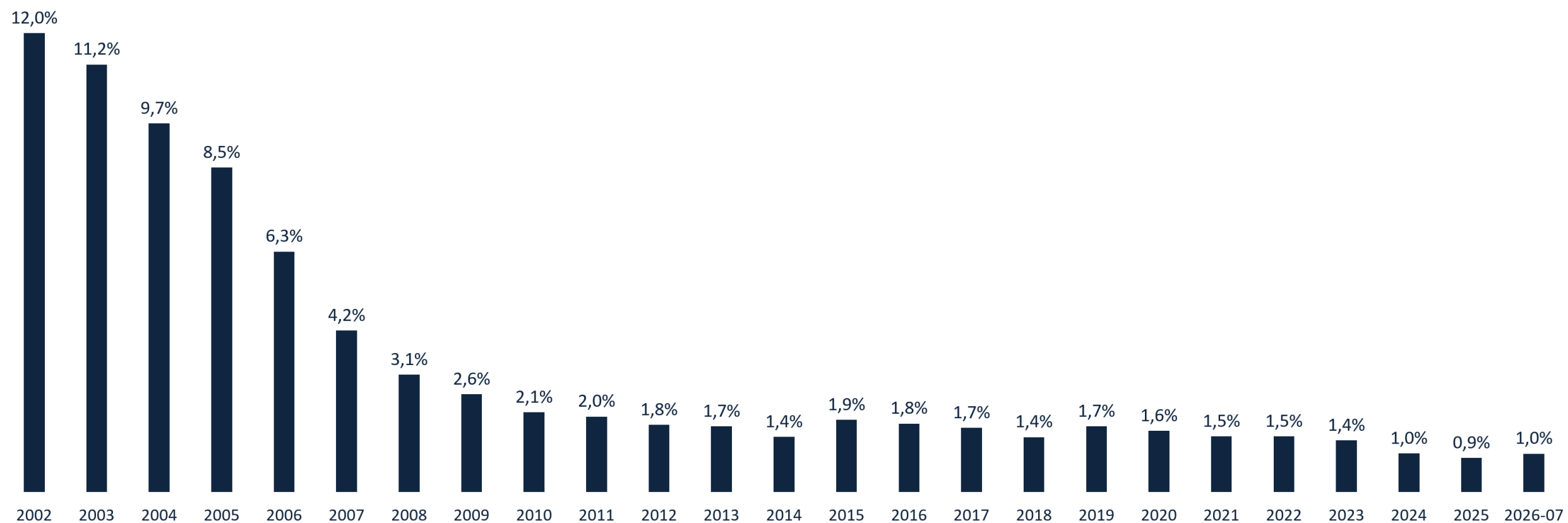


Source: Abecip and Central Bank of Brazil.

REAL ESTATE CREDIT DEFAULT



Sharp decline following the widespread adoption of the fiduciary lien

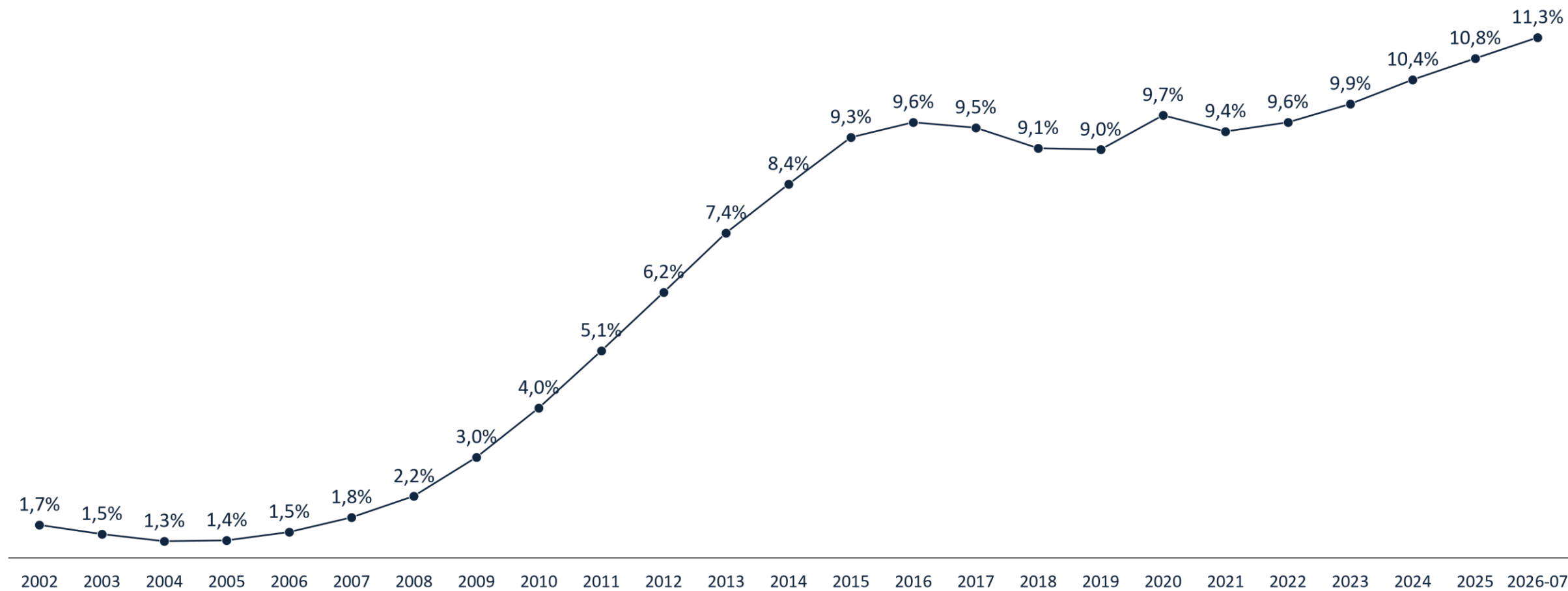


Source: Abecip and Central Bank of Brazil.

REAL ESTATE CREDIT vs. GDP IN BRAZIL



Grew almost sevenfold in the last 20 years



Source: Abecip and Central Bank of Brazil.

**SAFER
Lending,
STRONGER
Market**

Extrajudicial enforcement: Faster, simpler repossession of the property



Greater legal certainty



Reduced delinquency



Lower credit risk and reduced bank spread



Lower cost of financing



Increased access to long-term real estate financing

Obrigado
Filipe F. Pontual



ABECIP

Associação Brasileira das Entidades de
Crédito Imobiliário e Poupança



EMF|ECBC

EUROPEAN MORTGAGE FEDERATION
EUROPEAN COVERED BOND COUNCIL

