

## “ABB-HYPOTHEC” INFORMATION BULLETIN

Terms and fee schedule applicable for mortgage loans issued for the acquisition, repairing of immovable property and refinancing of current mortgage loans (on the account of Bank resources)

1. Main terms & conditions				
1.1	Purpose	For the acquisition, repairing of immovable property and refinancing of housing loan existing in another financial organization		
1.2	Currency	AMD	USD	EUR
1.3	Minimum loan amount	5,000,000	10,000	9,000
1.4	Maximum loan amount (per borrower)	55,000,000	120,000	110,000
1.5	Nominal annual interest rate	14 %	12 %	11 %
1.6	Annual effective interest rate	14.5-16.80%	12.5-14.16%	11.4-13.9%
1.7	Type of interest rate	Fixed interest rate, which is not subject to change during the entire term of the loan agreement		
1.8	Minimum prepayment	<ul style="list-style-type: none"> <li>20% of purchased immovable property</li> <li>No prepayment is required in case of pledging additional immovable property (in case of pledging additional immovable property the market value of two properties must be 150% of loan amount)</li> </ul>		
1.9	Maximum loan/collateral value based on the market value (in the case of repairing and refinancing, the calculation is made against the estimated market value of the collateral, and in case of acquisition - at the minimum amount from the acquisition cost and the estimated value)	<ul style="list-style-type: none"> <li>In case of pledging purchased immovable property - 80%</li> <li>In case of pledging purchased and additional immovable property an amount equal to 100% shall be provided for the acquisition of immovable property providing that the amount of loan does not exceed 70% of the total amount of market value of purchased and additional immovable property, but not more than the market value of the acquired property</li> <li>In case of repairing works - 80% of pledged immovable property</li> <li>In case of refinancing - 80% of property pledged in another financial organization (The amount of provided loan may exceed the residual amount of loan to be transferred from another financial organization)</li> </ul>		
1.10	Period	12- 120 months		
1.11	Manner of repayment of loan and interests	At customer's option: <ul style="list-style-type: none"> <li>Annuity payments</li> <li>Monthly uniform repayment of principal and monthly payment of accrued interests</li> </ul>		
1.12	Manner of lending	<ul style="list-style-type: none"> <li>One-time or by stages</li> <li>Cashless</li> </ul>		
1.13	The term for refinancing of mortgage loan existing in another financial organization	The Borrower should have a current housing loan for the acquisition or repairing of residential real estate in another financial organization, such loan to have been serviced for at least 24 months without any arrears		
1.14	Early repayment of loan	Permissible, no fines or penalties are applicable		
2. Bank fees				
2.1	One-time fee for the application review	AMD 5,000 <i>(No fee is charged in case of refinancing)</i>		

2.2	One-time fee for loan maintenance (chargeable upon provision)	<ul style="list-style-type: none"> <li>• For loans up to AMD 12.000.000 – AMD 20.000,</li> <li>• For loans from AMD 12.000.001 to AMD 21.000.000 - AMD 30.000,</li> <li>• For loans from AMD 21.000.001 and over - AMD 40.000,</li> <li>• No fee is charged in case of refinancing</li> </ul>	<ul style="list-style-type: none"> <li>• For loans up to USD 25.000 – AMD 20.000</li> <li>• For loans from USD 25.001 to USD 42.000 - AMD 30.000</li> <li>• For loans from USD 42.001 and over – AMD 40.000</li> <li>• No fee is charged in case of refinancing</li> <li>• No fee is charged in case of refinancing</li> </ul>	<ul style="list-style-type: none"> <li>• For loans up to EUR 22.000 - AMD 20.000</li> <li>• For loans from EUR 22.001 до 37.000 - AMD 30.000</li> <li>• For loans from EUR 37.001 and over - AMD 40.000</li> <li>• No fee is charged in case of refinancing</li> </ul>
2.3	Opening/maintenance of bank accounts (one-time) – provision of statements and their copies, references and other data	As per the Bank tariffs		
<b>3.</b>	<b>Requirements to Borrower / Co-borrower</b>			
3.1	Borrower	<ul style="list-style-type: none"> <li>• Resident natural person, citizen of Armenia and Artsakh aged at least 21 years, whose age does not exceed 65 years by maturity</li> <li>• In case of refinancing – a resident natural person, citizen of Armenia and Artsakh aged at least 21 year, who has a housing loan for 24 months and over, whose age does not exceed 65 years by maturity</li> <li>• The borrower may not be the former owner of the property or may not be affiliated to the former owner /in case of acquisition of immovable property/</li> </ul>		
3.2	Co-borrower	<ul style="list-style-type: none"> <li>• Natural person - resident of Armenia and Artsakh aged at least 21, who has joint and several liability with the Borrower, whose age does not exceed 65 years by maturity</li> <li>• Co-borrower may not be the former owner of the property or may not be affiliated to the former owner /in case of acquisition of immovable property/</li> <li>• The number of co-borrowers may not exceed 3 persons</li> </ul>		
3.3	Revenues of the Borrower/ Co-borrower	<ul style="list-style-type: none"> <li>• Primary income (mandatory) – 100% *,</li> <li>• Secondary income (not mandatory) – income justified by documents, maximum 60% **,</li> <li>• Declared income (not mandatory) - maximum 60%%, which may not exceed the fourfold amount of initial income**</li> </ul>		
3.4	General principle of credit rating	Maximum ratio of total debt payments and net income (OTI ratio) should not exceed 55%		
3.5	Credit history requirements for Borrower/Co-borrower	<ul style="list-style-type: none"> <li>• By the time of loan approval there should not be any overdue or classified current credit commitments (loans, guarantees), and</li> <li>• Total number of days outstanding on all loans (repaid and current) during the past 12 months must not exceed 30 calendar days</li> <li>• In case of refinancing, the Borrower must have a current housing loan for the acquisition or repairing of a residential real property in another</li> </ul>		

		financial organization, such loan to have been serviced for at least 24 months without any arrears
<b>4.</b>	<b>Terms and requirements to the collateral</b>	
4.1	Collateral	<ul style="list-style-type: none"> <li>• Acquired/repaired immovable property*</li> </ul> <p>In case of loans without prepayment, also the collateral of additional real property</p> <p>* In case of refinancing - real property pledged in another financial organization</p> <p>Only immovable property with completion degree of 80% and over shall serve as collateral and it should be recorded in the certificate of state registration of rights, and also have all communications</p>
4.2	Location of collateral	Armenia and Artsakh
4.3	Assessment of the collateral	<ul style="list-style-type: none"> <li>• In case of acquisition and repairing of immovable property, the assessment of immovable property should be carried out on the account of the borrower, by an independent appraisal company cooperating with the Bank</li> <li>• In case of refinancing of existing mortgage loan, the assessment of immovable property should be carried out on the account of the Bank, by an independent appraisal company cooperating with the Bank</li> </ul>
<b>5.</b>	<b>Insurance requirements</b>	
5.1	Insurance	<ul style="list-style-type: none"> <li>• Insurance of real estate collateral – mandatory</li> <li>• Accident insurance - mandatory</li> </ul> <p>Payment of insurance premiums for real estate collateral and accidents must be carried out on a yearly basis exclusively by companies, which cooperate with the Bank. The insurance amounts are calculated on the balance of loan amount</p>
<b>6.</b>	<b>Additional terms</b>	
6.1	Basis for rejecting an application	<ul style="list-style-type: none"> <li>• <b>Customer does not meet below listed criteria of the Bank:</b> <ul style="list-style-type: none"> <li>- Trustworthiness</li> <li>- Solvency</li> <li>- Creditworthiness</li> </ul> </li> </ul>
6.2	<i>Failure to fulfill liabilities by the Borrower</i>	<ul style="list-style-type: none"> <li>• <i>For failure to repay interests when due, the Bank shall charge a penalty from Borrower for each day of default equal to 0.13% of the amount past-due,</i></li> <li>• <i>For failure to repay the credit when due as prescribed by contract terms, the calculation of interests under the contract shall be suspended and effective from that day until the actual repayment of the arrears, interests shall be accrued on the overdue amount equal to the twofold of the settlement rate of the bank interest set by the Central Bank of RA</i></li> <li>• <i>In case of fulfilling overdue obligations, the repayments are made in the following order:</i> <ol style="list-style-type: none"> <li>1) <i>Fines/penalties</i></li> <li>2) <i>Interest amounts</i></li> <li>3) <i>Principal</i></li> </ol> </li> </ul> <p><i>IN CASE OF NON-FULFILLMENT OR IMPROPER FULFILLMENT OF OBLIGATIONS BY THE BORROWER, THE CREDITOR SHALL WITHIN 7 BUSINESS DAYS SEND THESE DATA TO THE CREDIT BUREAU WHERE CREDIT HISTORY IS FORMED. ONCE A YEAR THE BORROWER IS ENTITLED TO GET ITS CREDIT HISTORY FOR FREE FROM THE CREDIT BUREAU.</i></p> <p><i>NOTE: BAD CREDIT HISTORY MAY SERVE AS AN IMPEDIMENT TO THE BORROWER IN THE FUTURE FOR ACCESS TO OTHER CREDITS</i></p> <p><i>The Bank is entitled to impose a forfeiture on the collateral without applying to court</i></p>

		<b><i>Where a claim to mortgaged immovable property is not satisfied in full on the account of amount received from property sale - the difference should be charged from borrower's other assets</i></b>
6.3	Other expenses of Customer	<ul style="list-style-type: none"> <li>✓ Costs associated with the assessment of collateral (AMD 15,000-25,000) as per tariffs of appraising companies, which cooperate with the Bank</li> <li>✓ Notary's costs (AMD 15,000-25,000)</li> <li>✓ Costs associated with cadastral registration - state registration of right (in case of a flat acquisition – AMD 72,000-73,000; in other cases - AMD 27,000-28,000)</li> <li>✓ Uniform statement - AMD 10, 000</li> <li>✓ Costs associated with property insurance against fire and other hazards - 0,15% of the balance of loan amount (as per tariffs of insurance companies, which cooperate with the Bank)</li> <li>✓ Costs associated with accident insurance - 0,15 % of the balance of loan amount (as per tariffs of insurance companies, which cooperate with the Bank)</li> <li>✓ In case of refinancing all listed costs are paid by the Bank, except for insurance premiums payable by the Borrower from the 2<sup>nd</sup> year</li> </ul>
6.4	Term of application review	Up to 20 business days
6.5	Place of loan execution	All branches of the Bank (except for Araratyan and Arshakuni branches)

**7. Classification of primary and secondary income of the borrower/co-borrower**

\* As primary income is accepted:

- Income justified by a statement of employment;
- Pensions confirmed by a statement of competent authority;
- If they are engaged in farming business - statement of competent authority;

\*\* As secondary income is accepted:

- *Income justified by documents* - income from rent under lease agreement approved by public notary and registered by State Committee of Real Estate Cadastre; in addition the lease agreement must be concluded no later than three months before the date the loan application has been submitted (except in cases of the renewal of lease agreement) and must be concluded for at least 1 year; Interests receivable under deposit agreement with the Bank, which must be concluded no later than three months before submission of loan application and must be concluded for at least 1 year; other similar revenues, which are included in the calculation of solvency in the amount of 60%.
- *Declared income* - Other income declared by customer (for example, money transfers received regularly over the past 12 months, premiums for extra work, income from paid services, dividends and other similar income) which are included in the calculation of solvency in the amount of 60% maximum and should not exceed the fourfold amount of primary income.

**8. Documents required for mortgage lending**

<i>Documents</i>	Documents requested from Customer	Documents requested from Co-borrower
Identity document /passport or ID card/	✓	✓
Social card or social service registration mark, if not any, a statement from the relevant authority (is not required in case an ID card is presented)	✓	✓
Copies of passports and social cards or social service registration mark for husband/wife /if not any, a statement from the relevant authority/	✓	✓
Copy of marriage certificate /if any/	✓	✓
Statement of employment and revenues specifying current position, record of service in that organization, as well as earnings during the last 12 months	✓	✓

Proof of secondary income /if any/	✓	✓
Proof of declared income /if any/	✓	✓
Copy of the certificate of title for mortgaged real property	✓	-
Certificate and other documents confirming the origin of mortgaged real estate and property rights, and other rights to it	✓	
Copies of passport, social card and marriage certificate for the seller of real estate	✓	
Appraisal report for underlying property carried out by an independent appraiser	✓	-
<b><i>Documents requested following the favorable decision to issue a loan</i></b>		
Statement from the State Cadastre Committee of RA Government that real estate is not pledged or is not under any other kind of arrest (Uniform reference)		✓
Agreement on real estate purchase and mortgage		✓
Certificate of lien registration		✓
Certificate of property rights registration		✓
Other documents as may be requested		✓

### **WARNING**

**YOUR PROPERTY MAY BE CONFISCATED IN THE ORDER PRESCRIBED BY LAW FOR FAILURE TO FULFILL OR IMPROPER FULFILLMENT OF OBLIGATIONS UNDER LOAN AGREEMENT.**

### **ATTENTION**

**THE BORROWER HAS THE RIGHT TO COMMUNICATE WITH THE FINANCIAL ORGANIZATION IN A FORM HE/SHE PREFERS MORE (BY POST OR ELECTRONIC COMMUNICATION). OBTAINING INFORMATION THROUGH ELECTRONIC COMMUNICATION IS MOST COMFORTABLE. IT IS AVAILABLE IN 24/7 MODE, IS FREE OF THE RISK OF LOSS OF PAPER DOCUMENTS AND ENSURES CONFIDENTIALITY.**

**7 DAYS PRIOR TO SIGNING THE LOAN AGREEMENT THE CONSUMER SHALL BE PROVIDED WITH SUCH AGREEMENT AND TIME FOR CONSIDERATION.**

You can get acquainted with “Your financial directory” system by the following link: [www.fininfo.am](http://www.fininfo.am).

**“YOUR FINANCIAL DIRECTORY” IS AN ELECTRONIC SYSTEM WHICH FACILITATES SEARCHING, COMPARING AND SELECTING THE MOST CONVENIENT OPTION OF SERVICES RENDERED TO INDIVIDUALS**

**THE INTEREST AMOUNTS ARE CALCULATED BASED ON THE NOMINAL INTEREST RATE. THE EFFECTIVE ANNUAL INTEREST RATE ON LOANS MEASURES THE REAL COST OF CREDIT AFTER THE INTERESTS ARE PAID AND OTHER PAYMENTS ARE MADE WITHIN THE SPECIFIED TIME AND AMOUNTS. THE PROCEDURE FOR CALCULATING THE ANNUAL EFFECTIVE PERCENTAGE RATE CAN BE FOUND [HERE](#).**

**In case of loans in foreign currency, changes in exchange rates of foreign currency may affect the repayment of the loan. The interest amounts on loans are calculated based on the nominal interest rate. The nominal interest rate shows the amount of annual interest on the loan, which is charged on the loan balance on annual basis.**

***Example of calculating interest amounts***

- Initial amount of loan – AMD 20,000
- Loan period - 120 months
- Annual interest rate - 12%

- Manner of repayment of loan and payment of interests – by annuity schedule

**The amount of monthly repayments shall make USD 287**

\* The interest amounts on loan are calculated based on the nominal interest rate. The effective annual interest rate on loans measures the real cost of credit after the interests are paid and other payments are made within the specified time and amounts.

#### **Formula for Effective Annual Interest Rate Calculation**

The actual annual interest rate is calculated based on the following formula:

$$A = \sum_{n=1}^N \frac{K_n}{(1+i)^{\frac{D_n}{365}}}$$

where:

i – effective annual percentage rate (APR),

A - initial amount of loan to be disbursed,

n - number of the regular repayment on loan,

N - number of the last repayment on loan,

$K_n$ - amount of the n-th regular repayment on loan,

$D_n$ - time from the date of loan disbursement to the date of the n-th regular repayment on loan measured in terms of days

i - effective annual interest rate can be calculated providing that the rest of equation data are known from loan agreement or otherwise.

To calculate the actual annual interest rate you can use Effective (Actual) Annual Interest Rate Calculator, with reference <http://www.armbusinessbank.am/am/page/Crediting>.

#### **Example of calculating the effective annual interest rate**

For the acquisition of immovable property

- Loan amount - USD 120,000
- Loan period - 120 months
- Interest rate - 12 %
- One-time fee for loan application review – AMD 5 000
- One-time fee for loan servicing – AMD 40 000
- Costs associated with the assessment of collateral - AMD 25 000
- Notary's costs – AMD 25 000
- Costs associated with cadastral registration - AMD 72 000
- Uniform statement - AMD 10 000
- Costs associated with property insurance against fire and other hazards - 0,15% of the balance of loan amount
- Costs associated with accident insurance - 0,15% of the balance of loan amount
- Repayment of loan amount and interests – by annuity

**The effective annual interest rate is 14,16 %**

**Based on the amount, term of the loan, frequency of repayments and changes in the prices of other miscellaneous services - the effective annual interest rate may vary from the above example.**

**Bank details:**

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Certificate of registration N 0176, issued 10.12.1991, bank license N 40, issued 10.12.1991

List of services, which the Bank may render, is stipulated in accordance with Chapter 4 of RA Law "On Banks and Banking Activity".