

Residential property purchase and renovation loans terms and conditions

1. Security and Insurance

1.1. The residential property is pledged to the Bank until the full repayment of the loan

1.2. For residential property purchase loans the customer, hereafter also borrower, must have the ownership right to the residential property to be pledged

1.3. If the loan is provided for purchase of residential property from primary market and it is under construction, (i.e. no Ownership Certificate is available for the property) the borrower will be asked to secure the loan by pledging any other privately owned residential property. Once the final Ownership Certificate of the completed residential property is issued it should be pledged to the Bank. All the documents related to and verifying the purchase of a new residential property should be submitted to the Bank for arranging pledge latest by the end of the 12th month

1.4. Borrower must provide pledged property insurance opting from suggested list of insurers. The insurance policy should be reissued every year within the whole term of agreement. Should the borrower fail to arrange the insurance, the Bank will arrange insurance at the borrower's cost¹

1.5. Beneficiary rights of the insurance policy will be entitled to the borrower

1.6. Insurance can be done either by full market value of the property or by loan amount upon borrower's discretion. If the property is insured for part of its value insurance compensation will be paid in the same proportion ratio of the sum insured and the property's full market value

1.7. The Bank reserves the right to demand early repayment of the loan, if insurance terms of the pledged residential property specified in residential property mortgage agreement are breached

1.8. The renovation loan is secured by the pledge over the residential property to be renovated. Loan is extended for renovating a property that the borrower or borrower's direct family members already own. The borrower or the borrower's direct family members should have at least 10% share in the ownership of the property subject to be pledged or provide evidence proving that they are living in subject property

2. Warning and important notes

2.1. Loan interest is calculated in the loan currency on a daily basis for 365 days and for 366 days in case of leap year on the loan outstanding balance.



2.2. If the borrower fails or regularly delays the loan repayment or any of obligations specified in loan agreement, the Bank reserves the right to repossess the pledged residential property, without recourse to the court and use the sales proceeds for full repayment of the loan outstanding amount

2.3. In case if the value of such pledged residential property is not sufficient to cover the borrower's obligations, the obligations may be paid-off at the expense of the borrower's other property, in accordance with the RA legislation

2.4. If the borrower does not pay the interest and loan principal amounts in time, information about credit history will be submitted to the Central Bank of Armenia credit register and ACRA Credit Reporting CJSC after three business days of credit facility overdue. In case of existence the reporting is applicable for guarantors and co-borrowers as well.

2.5. Fluctuation of foreign currency exchange rate may impact the loan repayment amount (for USD Loans). Interest for the loans with foreign currency can be paid either with the currency of the loan or in Armenian Drams as per customer's preference and based on the provided respective instruction.

2.6. The Bank makes the decision on provision of loans at its discretion taking into consideration the conformity of the loan application to the announced requirements of the given loan type as well as evaluating such essential factors as the creditworthiness of the applicant, any overdue payments, liquidity of the pledged property and other factors

2.7. Loan drawdown will be done after submission of pledge and insurance agreement / policy

2.8. The loan will be transferred to customer's bank account

2.9. Valuation and security pledge expenses are born by the customer. Details of expenses are available here

2.10. For renovation loans, a report from an independent authorized valuator in evidence to the renovation done should be provided after 6 months from the date of the loan drawdown

2.11. If the property prices in the market are demonstrating negative trend of 20% and more, the Bank may require additional re-evaluation of pledged property

2.12. Bank does not compensate charges and fees applicable for documents and other transactions required for loan processing. All fees are paid by Customer

3. Default interest rate and penalties

3.1. In case of overdue/default on loan principal and/or interest the Bank will apply default interest rate - 5% p.a. plus the loan nominal interest rate per annum, on the overdue amount

3.2. For loan principal early repayment the Bank may apply an early repayment fee:

- a) calculated at 0.6% of the amount overpaid during the first year
- b) calculated at 0.4% of amount overpaid during the second year
- c) calculated at 0.2% of amount overpaid during the third year.

At any point in a year no overpayment fee is applicable for the amount overpaid for the amount equal to the sum of principal payments for the contractual year according to the schedule. In this term contractual year is considered the 12 month period starting from the next day of the loan agreement date.

4. Required documents

4.1. Valid passport, residency card or Identification card (ID)

4.2. For the Bank payroll customers: a letter from the employer undertaking to process the applicant's remuneration through HSBC Bank Armenia cjsc (in the form acceptable by the Bank)

4.3. For the Bank non-payroll customers: any official evidence and/or documentation on source/size of income, e.g. profit tax return, dividend certificate, lease agreement, banks statements, etc

4.4. If the applicant is other bank customer: the applicant's bank statements proving salary transfers for the last 6 months (for payroll customers), an official advice on source / size of income, advice on account average balance for the last 6 months (for non-payroll customers)

4.5. Ownership Certificate (the original is kept in the Bank until full repayment of the loan), copy of basis of acquisition of residential property (e.g. inheritance certificate, sale and purchase agreement, decision, resolution, death certificate, power of attorney, etc), owners'/co-owners' passport copies. In case of need the Bank may request to provide statement from passport agency on registered persons in the mentioned address of residential property and demand that no person is registered in the mentioned address

4.6. Valuation report of the residential property securing the loan. Evaluation is to be conducted by an independent valuator authorized by the Bank

4.7. A combined certificate issued by the respective department of the State Committee of the Real Estate Cadastre on restrictions in respect of the residential property (original)

4.8. Other documents that may be required during loan application process

5. The deadlines for decision making of loan application and loan provision/drawdown

5.1. The maximum period for making final decision and informing the applicant 2- 5 working days after the submission of all other necessary documentation as requested by the Bank

5.2. The maximum period for loan provision/drawdown– within 2 working days after the signing pledge agreement

6. Loan approval and declination criteria

6.1. Loan approval criteria

- Documented and stable income, which corresponds to the minimum set requirements for a particular loan type.
- Good credit history, with number of overdue days for all loans during the recent 12 months not exceeding maximum threshold set by the Bank.
- Full document set required for the loan process.

6.2. Loan declination criteria

- Insufficient funds for servicing the loan, or undocumented income.
- Information that the loan will not be used for designated purpose.
- Incorrect and incomplete information provision as part of the loan process.
- Bad credit history, with number of overdue days for all loans during the recent 12 months not exceeding maximum threshold set by the Bank.
- Customer age does not meet the age related criteria for the specific loan type.

¹ Cost of property insurance may vary from 0.18% of the property value.