

Rules of Mortgage Crediting on the accounts of resources of Azerbaijan Mortgage Fund attached to National Bank of Azerbaijan Republic

(Amendments made on January 23, 2007)

1. General Propositions

1.1. These rules have been prepared according to Civil Code of Azerbaijan Republic, "Law of National Bank of Azerbaijan Republic", "Law of Banks", "Law of Mortgage " , Order 299 of President of Azerbaijan Republic issued on September 16, 2005 and other legislative deeds and defines terms for required rights of mortgage credits from authorized credit institutions by Mortgage Fund of Azerbaijan (MFA) attached to National Bank of Azerbaijan Republic, including terms of mortgage credits and services by authorized credit institutions on the account of MFA.

2. Main notions.

The notions used in these rules mean the followings:

2.1. The authorized credit institution is a bank or non-bank credit institution entered in a list approved by National Bank of Azerbaijan Republic and signed an agreement with MFA.

2.2. Main Agreement- is an agreement which regulates rules in order to get required rights of mortgage credits relevant to MFA's requirements signed between authorized credit institution and MFA

2.3. Service Contract is a contract signed between MFA and authorized credit institution in order to get payments by mortgage debtors, and transfer it to MFA's account, check position of mortgage object and do other services defined by MFA

2.4. Borrower-a resident of Azerbaijan Republic who borrowed credit from the authorized credit institution.

2.5. Mortgage Credit is a debt given by authorized credit institution in order to purchase living space with provision of non-conveyable asset.

2.6. Interest rate on mortgage credit-annual interest rate given to debtor by authorized credit institution.

2.7. Quotation rate of MFA is annual rate for refinancing of mortgage credits by MFA.

2.8. Credit background created by authorized credit institution is collection of document to represent information about mortgage credit including how debtor fulfills his/her obligations

2.9. Borrowing of mortgage credit –is getting rights and credits from authorized credit institution with signing agreement to get hypothec paper or allowance of requirement

3. Determination of terms for Mortgage Credit given on MFA's account

3.1. Mortgage Credit given on MFA's account should meet the following requirements:

3.1.1. Credit should be given with Azerbaijan Monet;

3.1.2. Credit should be given to Azerbaijan residents;

3.1.3. Credit should be given with the period from 3years to 25years;

3.1.4. Amount of credit shouldn't exceed 50,000AZN;

3.1.5. Annual interest rate on credit shouldn't exceed 8%;

3.1.6. Amount of credit shouldn't exceed 85% of market price of non-conveyable asset involved to mortgage on credit given date. The amount of credit can be 100% percent of market price of that property if only; it has been secured by Foundation of Credit Guarantee for execution of obligation of mortgage credit.

3.1.7. Monthly payment for mortgage credit shouldn't exceed 70% of debtor's (debtors') total monthly income;

- 3.1.8. Borrower's age on the final date for mortgage credit shouldn't exceed pensionable age defined by legislation;
 - 3.1.9. Credit should be provided with mortgage of non-conveyable asset.;
 - 3.1.10. Non-conveyable asset involved to mortgage should be assessed by independent estimators;
 - 3.1.11. Mortgagee's rights should be got into state registration appropriate to legislation;
 - 3.1.12. Principal and calculated interests' payment should be paid in equal parts (annuity) every month;
 - 3.1.13. Based on market price non-conveyable asset involved in mortgage should be insured not less than amount of credit provided with mortgage;
 - 3.1.14. Other requirements determined by MFA
- 3.2. MFA buys mortgage credits by according quotation rates from credit organizations. Quotation rate is determined by National Bank of Azerbaijan on the request of MFA and written notification about it is sent to following credit institutions. Also, information is uploaded to official website of MFA and announced on mass media communications.
- 3.3. MFA can define limits for amount of crediting by each authorized credit institution

4. Getting rights for mortgage credits

- 4.1. Authorized credit institution can apply to MFA with an application in order to re-finance mortgage credits.
- 4.2. MFA signs a principal agreement with authorized credit institution in 10 business days after accepting the application. Standard forms of principal agreement and service contract are confirmed by MFA.
- 4.3. Authorized credit institution applies to MFA in order to get rights for mortgage credits and gives copies of documents included in credit file.
- 4.4. MFA tests accordance of given mortgage credits to the requirements of these rules and informs in written form the authorized credit institution its consent or refusal in 10 business days.
- 4.5. If MFA gives its consent, the authorized credit institution provides MFA's introduction with original form of documents.
- 4.6. Officially registration of mortgage credits is implemented as following:
 - 4.6.1. Transfer of hypothec paper to MFA determining endorsement according to legislation.
 - 4.6.2. Requirement concession with signing a contract
- 4.7. MFA buys mortgage credit with price equal to residual debt of borrower for that mortgage credit in front of authorized credit institution and this amount is indicated in hypothec paper or contract for requirement concession.
- 4.8. Servicing for taken mortgage credits is implemented appropriate to the contract signed between MFA and authorized credit institution. In some situations mortgage crediting and servicing to it can be implemented by different authorized credit institution on basis of parts' agreement.
- 4.9. The authorized credit institution undertakes an obligation to get back mortgage credit got by MFA appropriate to the rules stated on Article 5 of these Rules.
- 4.10. The authorized credit institution presents proper documents in order to implement additional mortgage registration in 2 business days after signing of proper documents between parts.
- 4.11. The authorized credit institution pays expenses relating to confirmation of contracts signed by MFA and the authorized credit institution, and additional state registration of mortgagee's rights.

4.12. The authorized credit institution delivers the following documents included in credit file with deed of deliver-yield after state registration of rights creating as result of documents signed between parts:

4.12.1. Credit Contract;

4.12.2. Mortgage Contract;

4.12.3. Hypothec Paper;

4.12.4. The document which confirms state registration of mortgage;

4.12.5. Documents of borrower included in credit file;

4.12.6. The document that confirms purchase of living space on account of mortgage credit;

4.12.7. The documents that confirms payments by borrower;

4.12.8. Deed for assessment of mortgage object by independent estimator;

4.12.9. Insurance contracts;

4.13. The obligations of authorized credit institution to MFA do not depend on their relations with borrowers. The authorized credit institution should fulfill its obligations to MFA not depending on how much borrowers fulfilled their commitments to authorized credit institution.

5. Getting back of mortgage credits by the authorized credit institutions

5.1. MFA requires getting back requirement rights for credit with sending a notification to the authorized credit institution if it meets the following situations:

5.1.1. If the borrower does not pay its his/her debt (principal and interest payment) in 90 days;

5.1.2. If it is revealed that accepted document are not appropriate to the MFA's requirements and these rules;

5.1.3. If the terms stated on article 4.12 of these Rules are not implemented;

5.1.4. If other situations in which mortgage credit does not meets MFA's requirements happens.

5.2. The list of mortgage credit which should be got back is added into the notification.

5.3. Original of documents is given back to the authorized credit institution on basis of deed for delivery-yield during getting back of mortgage credits

5.4. The authorized credit institution gets back the mortgage credit from MFA with the price of residual, non-payment part of principal debt for credit and their fine if given a penalty.

Final Propositions

6.1. Problems which are not solved with these Rules are regulated with other normative deeds of MFA and legislation of Azerbaijan Republic