

**“Approved”**

*Chairman of Directors' Board*

*E.S.Rustamov*

*Registration #3*

*Record #3*

*By the decision of Directors' Board of*

*Central Bank of Azerbaijan Republic*

*Dated on February 09, 2009*

*(With additions and changes to August 25, 2006, September 28, 2006, January 29, 2007, March 15, 2007 and May 15, 2009)*

**Standart Requirements regarding to allocation of refinancing mortgage loans of Azerbaijan Mortgage Fund under Central Bank of Azerbaijan Republic by authorized loan organizations**

«Standart Requirements regarding to allocation of refinancing mortgage loans of Azerbaijan Mortgage Fund under Central Bank of Azerbaijan Republic by authorized loan organizations» (hereinafter referred as Requirements) has been prepared in accordance with Civil Code of Azerbaijan Republic, Rules of Azerbaijan Republic «About Mortgage», «About Banks», Order of the President of Azerbaijan Republic numbered 339, dated december 22, 2005 and other legislation decrees, and defines rules of refinancing mortgage loans allocation by Azerbaijan Mortgage Fund under Central Bank of Azerbaijan Republic (hereinafter referred as AMF) and their servicing.

**1 General Regulations**

1.1. Expressions used in these Requirements means the followings:

1.1.1. Annuity payments – are the regular equal monthly payments aimed to repayment of debt on mortgage loan (main debt and interests calculated to that debt). These payments should be calculated and distributed in such a way that, debt should be repaid completely on the final date of loan repayment.

1.1.2. Main Agreement- is an agreement signed between AMF and authorized loan organization, and regulating rules of obtaining require rights on mortgage loans relevant to AMF requirements and relations regarding this.

1.1.3. Borrower is a citizen of Azerbaijan Republic borrowed loan from authorized loan organization.

1.1.4. Joint borrower is a person responsible to authorized loan organization allocated mortgage loan for absolute execution of borrower's obligations together with borrower.

1.1.6. Mortgage Paper – is a named Security assigning mortgage loan.

1.1.6-1. Mortgage broaker – is a juridical person or physical person engaged in owner activity without creation of juridical person who represents borrower in mortgage loan getting, implements preparation works for signing loan and mortgage loans by taking independent and neutral position on selection of authorized loan organization, and

assignes technical assistance in execution of loan and mortgage agreements on the basis of mutual agreement.

1.1.7. Mortgage Loan is a debt allocated by authorized loan organization for purchasing living space with provision of real estate.

1.1.8. Mortgage contract – is a contract signed in written between mortgagee (creditor on obligation provided with mortgage) and mortgagor (borrower, joint borrower).

1.1.9. Loan underwriting – is an evaluation process of borrower's (joint borrower) ability of mortgage loan repayment, also status and value of property loading by mortgage.

1.1.10. Authorized loan organization is a bank or non-bank organization signed Main Agreement with AMF and entered to the list approved by Central Bank of Azerbaijan Republic.

1.1.10-1. Authorized evaluator is an independent evaluator entered to the list approved by AMF and signed cooperation contract with AMF and performing evaluating activity in accordance with existing legislation.

1.1.10-2. Authorized insurance company is a juridical person entered to the list approved by AMF and signed cooperation contract with AMF, and performing insurance activity in accordance with existing legislation.

1.1.11. Service Contract is a contract signed between AMF and authorized loan organization for receiving payments of borrower (joint borrower) on mortgage loan and transferring it to account of AMF, verifying mortgage object state and render other services defined by AMF.

1.1.12. Loan agreement is an agreement in writing signed between authorized loan organization and borrower (joint borrower). According to this agreement, authorized loan organization should provide money resources (mortgage loan) to borrower (joint borrower) for purchasing dwelling with the term of mortgage provision, and borrower (joint borrower) should repay to authorized loan organization money resources he/she got and interests calculated to it.

1.1.13. Mortgage object (guaranty of mortgage loan) is a mortgage of real estate purchase through mortgage loan or belonged to borrower or third person. Mortgage object can be only flat or private dwelling house.

1.1.14. Initial payment – private resources of borrower (joint borrower) aimed for purchasing of dwelling area. Initial payment is a difference between the value of dwelling area purchasing through mortgage loan and amount of mortgage loan.

1.1.15. Service to loan is a complex of measures in the sphere of receiving and transferring to the account of AMF borrower's (joint borrower) payments on mortgage loan belonging to AMF, verifying the status of mortgage object and servicing of mortgage loan, performed by authorized loan organization in accordance with Service agreement.

1.1.16. Dwelling area – is a private dwelling house or private flat in apartment.

1.1.17. Purchasing contract of dwelling area – is a contract in writing signed between owner of dwelling area (seller) and borrower (buyer).

1.1.18. Refinancing – is the getting of require right by AMF on mortgage loan allocated by authorized loan organization.

1.1.19. Newly constructed building – is a building for the projecting and construction of which allocated land area and the construction of which is completed, but which is not accepted for exploitation.

1.1.20. Purchasing and Mortgage contract of dwelling area is composite contract signing in written between owner of dwelling area (seller), buyer (borrower) and creditor (mortgagee), and merging in itself purchasing contract of dwelling area and mortgage contract of dwelling area.

## **2 Requirements on mortgage loans refinancing by AMF**

2.1. Mortgage loans refinancing by AMF should meet the terms of these Requirements and «Rules of mortgage loan allocation through resources of Azerbaijan Mortgage Fund under Central Bank of Azerbaijan Republic» (hereinafter referred as Rules) approved by Order of Prezident of Azerbaijan Republic numbered 339, dated on December 22, 2005.

2.2. It is necessary to collect and officially registrate documents indicated in Ammendment #1, during allocation of mortgage loans by authorized loan organizations.

2.3. Authorized loan organizations should use following standart forms of documents when allocating mortgage loans refinancing by AMF:

2.3.1. Application for initial evaluation of borrower (joint borrower) (Ammendment #2);

2.3.2. Questionary for getting mortgage loan (Ammendment #4);

2.3.3. Report about the results of underwriting (Ammendment #5);

2.3.4. Report prepared by evaluator about status of mortgage object which will be loaded by mortgage on mortgage loan (Ammendment #3);

2.3.5. Loan agreement (Ammendment #6);

2.3.6. Mortgage agreement (Ammendment #7);

2.3.7. Purchase and mortgage agreement of dwelling area (Ammendment #10);

2.4. Joint borrower can be only near relative of borrower. Near relative means husband/wife, parents/foster parents, children/adopted children, sisters and brothers, grandmothers and grandfathers of borrower. Joint borrower signes loan agreement as a side toghether with borrower and is beared with all rights and obligations of borrower over loan agreement. Number of joint borrowers can't exceed 3 persons.

2.5. Property rights on dwelling area purchasing through mortgage loan can be registrated only for the name of borrower.

2.6. If owners (joint owners) of mortgage object loading by mortgage are children under age, till signing of mortgage agreement mortgager should provide to authorized loan organization written consent of guardian and protector organization for aiming out of court keeping when mortgage loading of mortgage object and not performing obligations on loan agreement by borrower.

2.7. In case of written consent of AMF, debt obligations on mortgage loan require rights of which got by AMF can be transferred from one borrower (joint borrower) to another in accordance with requirements of legislation.

2.8. Monthly payments on main debt and interests of mortgage loan is making with annuity payments calculated by following formula:

$$Pm = DP \cdot r \cdot (1 + r)^n / ((1 + r)^n - 1)$$

Here,

Pm – amount of annuity payment on loan;

D – not-paid part of loan;

r – Annual interest rate (%) defined by loan agreement;

n – Months remained for loan payment.

2.9. If real annuity payments on mortgage payment of borrower (joint borrower) exceed the amount considered in schedule, amount of annuity payments is recalculating.

2.10. AMF refinances mortgage loan in accordance with apply of authorized loan organization after mortgage loan allocating and officially taking to state registration by mortgage paper.

2.11. One person only one time can appear as borrower in 1 (one) mortgage loan and joint borrower in 1(one) mortgage loan at the same time.

2.12. Seller of dwelling area purchasing through mortgage loan and borrower (joint borrower) can not be relatives. Here near relative means persons indicated on 2.4 Article of these Requirements and also husband/wife, parents/foster parents, children/adopted children, sisters and brothers, grandmothers and grandfathers of borrower and seller.

2.13. Authorized loan organization in any case should investigate healthy character of financing purchasing operation and should reject allocation of loan if any abusive states defining.

2.14. Only introduction of dwelling area purchasing and mortgage agreement (composed agreement) is acceptable during purchasing of dwelling areas - property rights of which are taken to state registration.

### **3 Stages of mortgage loan allocation by authorized loan organizations**

3.1. Main stages of mortgage allocation and its servicing by authorized loan organization are as following:

3.1.1. Initial evaluation of borrower (joint borrower);

3.1.2. Underwriting of loan;

3.1.3. Officializing of mortgage loan;

3.1.4. Allocation of mortgage loan and performing payments to seller of dwelling area;

3.1.5. Receiving payments on mortgage loan and transfer them to AMF.

3.2. Underwriting of mortgage loan and allocation stages are regulating by these Requirements and internal documents of authorized loan organization.

#### **4 Initial evaluation of borrower**

4.1. Potential borrower applies to authorized loan organization for getting mortgage loan. Authorized loan organization makes initial evaluation of potential borrower (joint borrower) on the basis of application.

4.2. "Application for initial evaluation of borrower/joint borrower" is filling during initial evaluation of Potential borrower's (joint borrower) payment and loan repayment abilities (Amendment #2). This application is preparing in two copies (one copy for potential borrower, other one for authorized loan organization), registering in authorized loan organization in shifting way and allocating row number.

4.3. Authorized loan organization can define service fee for initial evaluation of potential borrower (joint borrower). In this case, amount of service fee can't exceed 0.1% of the required loan amount.

4.4. During initial evaluation authorized loan organization investigates borrower's (joint borrower) chances to get mortgage loan and to provide execution of arising obligations.

4.5. Authorized loan organization gives necessary information to borrower (joint borrower) about rules of mortgage loan allocation, including:

4.5.1. About requirements of authorized loan organizations to borrower's (joint borrower) payment ability and coefficients indicated on 4.9 Article of these Requirements;

4.5.2. About documents lists confirming information on customer;

4.5.3. About requirements indicated regarding evaluation of property which will be mortgage object and physical status and property rights of it;

4.5.4. About rules of signing loan, mortgage and other relevant agreements, and rights and duties attaining as result of these documents.

4.6. Authorized loan organization makes initial calculation of followings:

4.6.1. Maximal amount of mortgage loan;

4.6.2. Annuity payment amount on mortgage loan;

4.6.3. Aproximate amount of cash necessary to borrower for making initial payment, and also for making payment expences regarding officializing purchase, mortgage agreement of dwelling area and other expences.

4.7. Potencial borrower provides required documents indicated on Ammendment #1 about supposed mortgage object and about his incomes for accepting decision on allocation mortgage loan in process of loan underwriting.

4.8. Initial evaluation of borrower (joint borrower) is a first stage of mortgage loan allocation. Final decision on allocation mortgage loan is accepting on the basis of loan underwriting.

4.9. Potensial borrower's (joint borrower) ability of obligation execution on mortgage loan is evaluating in accordance with following coefficients:

4.9.1. Correlation of annuity payment on mortgage loans to average monthly incomes of potencial borrower (joint borrower) (LP/I);

4.9.2. Correlation of mortgage loan amount to the value of mortgage object (K/I).

4.10. LP/I coefficient is correlation of annuity payments of borrower on mortgage loans to monthly common income amount:

$$LP/I = LP \cdot 100 / I$$

Here,

LP – annuity payment of borrower (borrowers) on mortgage loan;

I – Total amount of borrower's (borrowers') average monthly income.

This coefficient defines maximum limit of acceptable expenses on mortgage loan in potencial borrower's (joint borrower's) common income amounts and this limit should not exceed 70% of borrower's (joint borrowers') common income amount.

4.11. Amount of mortgage loan which can be allocated to borrower is defined on the basis of correlation of mortgage loan amount to value of mortgage object. This coefficient indicator shouldn't exceed 85%. Here should be considered that, loan amount shouldn't exceed the amount considered on 3.1.4 Article of Rules.

K/I is calculating as below:

$$100 / x = K / I$$

Burada,

L is loan amount;

M is the value of mortgage object loaded by mortgage.

4.12. Patents on calculating of coefficient on mortgage loan are pointed on Ammendment #8.

## **5 Loan underwriting**

### **Evaluation of borrower's loan repayment ability**

5.1. Authorized loan organization allocating loan formulates comprehensive information about borrower's financial status and loan history on the basis of "Questionary for getting mortgage loan" (Ammendment #4) and documents provided by him.

5.2. For evaluation of risks creating on allocating mortgage loan, it is required to hold underwriting in following directions on the bases of collected and confirmed informations about potential borrower (joint borrower):

5.2.1. Evaluation exact repayment ability of mortgage loan on the basis of investigation of potencial borrower's (joint borrower) repayment ability, which is his/her incomes and expenses.

5.2.2. Checking of juridical validity of documents defining property rights on property loading by mortgage;

5.2.3. Defining market value of mortgage object loading by mortgage;

5.2.4. Paying attention to potencial borrower's (joint borrower's) educational level, work experience and engagement in stable developing and potencial incoming market segment.

5.3. During loan underwriting evaluation of borrower's (joint borrower's) loan repayment ability will be performed on the basis of his/her loan history investigation. It is advisable to define potencial borrower's (joint borrower's) repayment ability and maximum amount of acceptable mortgage loan on the basis average monthly stable income confirmed by documents during last 6 months.

5.4. Following income sources are considering when calculating potencial borrower's (joint borrower's) average monthly income:

5.4.1. Salary on main work place, including additional income on work place;

5.4.2. Income attained on incomplete working day and substitute;

5.4.3. Annual rewards;

5.4.4. Reliefs;

5.4.5. Interests on depozites;

5.4.6. Lease payment;

5.4.7. Another stable incomes;

5.4.8. Subsidies (rebates) given by state.

5.5. Consideration of following expences is required in accordance to regularity rate and purposely assignment in the structure of potencial borrower's (joint borrower's) expenses when investigating them:

5.5.1. Future monthly expenses (payments on mortgage lona, proterty tax, insurance of dwelling area, technical services payment, municipal services payment, other compulsory payments regarding using of dwelling area) of potencial borrower (joint borrower) regarding purchasing of dwelling area.

5.5.2. Monthly (or recalculated for one month) expenses on income tax and also tax and other payment regarding other personnel and dwelling property;

5.5.3. Regular payments (food, children's education, medical services) regarding potential borrower's (joint borrower's) and his/her family's life and activity; Expense for keeping each family member can't be taken less than dwelling minimum defined on country when calculating regular payments regarding borrower's (joint borrower's) and his/her family's life and activity.

5.5.4. Payments regarding insurance from borrower's death case and on losing of labor ability (life insurance in future);

5.5.5. Other constant and compulsory expenses making by borrower (joint borrower) each month during the year, or in other circulation;

5.6. Authorized loan organization is advised to investigate borrower's (joint borrower's) performing of obligations on usage of dwelling area in accordance with customer's relevant accounting books or bills about payment.

5.7. It is advised to define and consider following one time expenses regarding potential borrower's purchasing of dwelling area and officializing of mortgage loan:

5.7.1. Expenses (payment of state duty for notarial confirmation and state registration fee in accordance with existing legislation) regarding signing and officializing of relevant purchasing and mortgage agreements;

5.7.2. Expenses regarding payment of realty commission (if existing);

5.7.3. Payment of services regarding officializing of mortgage loans allocated by authorized loan organization;

5.7.4. Expenses regarding repair of dwelling area and moving there.

5.8. All expenses on mortgage loan getting and officializing are paying by borrower.

5.9. Authorized loan organization should investigate potential borrower's (joint borrower's) loan history. Investigation can be performed in accordance to the information got from following sources:

5.9.1. Centralized loan registration;

5.9.2. Inquiry sent to creditors shown in the borrower's (joint borrower's) application;

5.9.3. Inquiry sent to companies rendering municipal services, electricity, telephone communication services. It is required to look through borrower's (joint borrower's) performance of his debt and other financial obligations when investigating his/her loan history.

5.10. Authorized loan organization has the right to reject allocation of mortgage loan, and to require anticipatory repayment of already allocated mortgage loan, if the fact of information concealment by potential borrower (joint borrower) about his/her debt or other financial obligations is revealed.

## **Mortgage loan evaluation**

5.11. Evaluation of supposed mortgage object by borrower should be made by borrower before signing of purchasing agreement and before loan allocation because value of property under mortgage is taking important place during accepting decision about allocation/non-allocation of loan.

5.12. Authorized loan organization is responsible on checking documents confirming property rights on mortgage loan, having/non-having rights of third persons to mortgage loan, correspondence of signing agreements to requirements of AMF during evaluation of mortgage.

5.13. Authorized loan organization provides evaluation of property which is mortgage object by authorized evaluators. Report on results of property evaluation is compiled in accordance to Ammendment#3.

5.14. Evaluator should provide to authorized loan organization detailed anlysis and its market and mortgage value evaluation.

5.15. Period between evaluation date and the date of making decision about mortgage loan allocation should not exceed 90 days.

5.16. After providing all required documents to authorized loan organization, authorized loan organization should inform officially applied person about decision made regarding loan allocation during 14 days.

## **6 Mortgage loan officializing**

6.1. For allocating mortgage loan following relefant agreements should be officialized:

6.1.1. Loan agreement signing between authorized loan organization and borrower about allocation of loan resources to borrower (joint borrower) for purchasing dwelling area (Ammendment#6);

6.1.2. Purchasing agreement of dwelling area or flat certificate released regarding to construction of dwelling area (if such case exists) between seller of dwelling area and borrower (joint borrower);

6.1.2.1. Purchasing and mortgage agreement of dwelling area;

6.1.3. Mortgage agreement about provision of mortgage loan by real estate signed between authorized loan organization and mortgagor (borrower, joint borrower) (Ammendment #7);

6.1.4. Insurance agreements of live and real estate loaded by mortgage;

6.1.5. Mortgage paper compiled on the basis of signed mortgage agreement.

6.2. Agreements noted on 6.1.1. – 6.1.3 Articles of these Requirements are compiled in required copies and taken to state registration.

6.3. It is not acceptable any changes of subject in exemplary forms indicated in these Requirements by authorized loan organization during officializing of mortgage loan. In exception cases by the agreement of AMF, definite changes to the agreements shown in these Requirements can be made with the condition of not changing main point.

6.4. To the refinancing moment of mortgage loan provided with dwelling area by AMF only mortgagor on mortgage loan and persons living together with mortgagor who allowed dwelling area loading with mortgage and after its sale can be registered in the dwelling area under mortgage.

6.5. Purchasing of dwelling house or purchasing and mortgage agreement of dwelling house should reflect following main regulations:

6.5.1. Address of dwelling house (for private dwelling houses – place of land), settlement of purchasing flat in high-rise building, number of rooms in dwelling area, common and dwelling area, other informations;

6.5.2. Sale price of dwelling house identified on the basis of sides' agreement (prices of dwelling area and land should be indicated separately);

6.5.3. Comment about purchasing of dwelling area partially by loan resources (with the term of showing main details of loan agreement);

6.5.4. Comment about non-loadness of dwelling area with any obligation or limits (or information about existing obligation and limits should be indicated);

6.5.6 Attaining of flat certificate released regarding construction of dwelling area is performing in accordance with signing rools of purchasing agreements on types of securities by executive power bodies.

6.6. Following insurance agreements on mortgage loans should be signed with authorized insurance companies defined by AMF:

6.6.1. Life insurance agreement. Joint borrowers' life insurance should be made in proportion order to special weight of incomes when calculating there mortgage loan amount and common amount of joint borrowers' live insurance shouldn't be less than mortgage loan amount;

6.6.2. Property insurance agreement.

6.7. After allocating mortgage loan authorized loan organization acts as beneficiarry person on insurance agreements (after refinancing of mortgage loan by AMF, AMF attains beneficiarry person's rights on insurance agreements).

6.8. Insurance amount on insurance agreements shouldn't be less than loan amount providing by mortgage. Then insurance agreement signing for a year at least with the condition that, it's resigning of prolongation in future is considered.

6.9. Borrower (joint borrower) should provide required relevant insurance agreements to authorized loan organization not late than five days after state registration of mortgage loan.

6.10. Two months before expiring the terms of insurance agreements, borrower (joint borrower) should provide prolongation or signing of new agreements and should provide confirming document to authorized loan organization.

## **7 Allocation of mortgage loan and making payments to seller of dwelling house**

7.1. For payment of dwelling area value indicated in 1.3 article of loan agreement signing between borrower (joint borrower) and authorized loan organization, relevant account (hereinafter referred as bank account) is opening in authorized loan organization (this account is opened in the bank serving authorized loan organization if authorized loan organization is non-bank organization) and borrower (joint borrower) pays his/her initial payment to this account. When Borrower provides to authorized loan organization document confirming that, amount was paid to seller of dwelling area, those payments (on mortgage loan) are accepting as initial payment.

7.2. After performing term indicated in 7.1 Article of these Requirements authorized loan organization transfers amount considered in loan agreement to bank account and puts temporary limit to making arrangements to that account (blocking).

7.3. Amount entered to bank account is paying to seller of dwelling area with one of ways shown below:

7.3.1. During purchasing dwelling area which's property rights officialized, amount is transferring to deposit account of notary office in requirement cases in accordance with rules considered in legislation. In this case, notarial office pays this amount to seller in accordance with terms of purchasing agreement;

7.3.2. Transferrance of amount to seller is providing independently by authorized loan organization during purchasing of dwelling areas in new constructed buildings which's property rights haven't been officialized yet.

7.4. Comission charges for cash paid amount to seller of dwelling house is not holding by authorized loan organization.

7.5. Authorized loan organization holds penalties defined in advance from initial payment amount and provides borrower with remain of amount if seller terminates purchasing agreement due to non-complete and not in-time payment of dwelling area value because of the borrower's (joint borrower's) fault.

## **8 Mortgage loans repayment rules**

8.1. Period, amount and ways of payment of main debt on mortgage loan, including interests, other terms of mortgage loan allocation and repayment are making according to the rules defined in loan agreement. All repayments on allocated mortgage loans should be done to authorized loan organization serving borrower on mortgage loan.

8.2. Borrower (joint borrower) makes monthly annuity payments till 5th day of next calendar month after accounting month. If 5th day of month is weekend payment will be done next first working day:

8.2.1. First obligations on loans allocated from 25th day till the end of the month should be executed till 5th day of second next month;

8.2.2. First obligations on loans allocated from 1st day till the 24th day (24th day is included) of the month should be executed till 5th day of next month.

8.2.3. When calculating first payment, interests for period beginning from loan allocating date till the last date of accounting month (that date also included) are calculating, and main debt is calculating in accordance to annuity payments formula.

8.3. Calculation of payments making on mortgage loan is doing in accordance to Ammendment #9.

8.4. Payment of mortgage loans and interests on these loans can be made both by cash, and non-cash way, by transfer.

8.5. If the borrower (joint borrower) meets temporary financial difficulties due to unexpected reasons (but if these difficulties will not cause to worsening of his/her payment ability and if this was justifies officially), in accordance to loan agreement extension on loan repayment (no more than two times in a year) in the period not exceeding 30 calendar days can be given to borrower (joint borrower).

8.6. When serving mortgage loans, authorized loan organization accepts following compulsory payments from borrower (joint borrower) each month in accordance to loan agreement:

8.6.1. Payments on calculated interests;

8.6.2. Payments on main debt;

8.6.3. Pennalty (if exists);

8.7. Mortgage loan can be payed completly or partially before time. Then amount of partially over repayment shouldn't be less than 20% of annuity payment. New annuity payments schedule is making due to borrowers wish by performing one of following cases:

Amount of annuity payment is decreasing by keeping initial laon period;

Payment period of loan is shortenning by keeping initial annuity payment amount.

8.8. Authorized loan organization serving mortgage loans refinanced by AMF should implemented relevant monitoring regularly on allocated mortgage loan. Following procedures is entered to monitoring:

8.8.1. To controll flat status every year by checking terms about using of flat, its keeping, providing security of mortgage object on places from beginning of mortgage loan allocation till its complete repayment;

8.8.2. To controll each month execution of borrower's (joint borrower's) payment schedule and requirements of loan agreement in time;

8.8.3. To control each year existence of live and property insurance contract, payment of insurance fees in periods defined in insuarence and loan agreements;

8.8.4. To transfer resources coming from payments on mortgage loan to AMF account in time.

8.9. When resources coming from borrower (joint borrower) by annuity payments are not enough, in first place coming resources are directed to payment of calculated interests, penalties, and expenses of creditor for getting execution (if such expenses are existing), and the remain part to payment of main debt.

## **9 Giving of require right on mortgage loan to AMF and its servicing**

9.1. Authorized loan organization can apply to AMF for refinancing of allocated mortgage loan with respecting existing legislations, Rules and these Requirements.

9.1.1. Authorized loan organization surrenders documents in its file to AMF with acceptance act during refinancing. In cases when document confirming property right on dwelling area purchased in new constructed buildings hasn't been attained to acceptance moment, authorized loan organization surrenders to AMF copy of documents relating with allowance of building construction and documents confirming dwelling house purchase. Authorized loan organization should provide to AMF document confirming property rights within 5 days after attaining together with acceptance act separately.

9.2. Require right on refinancing mortgage loan by AMF is passing to AMF.

9.3. Servicing of loans which require rights passed to AMF is making in accordance to Service agreement signed with authorized loan organization.

9.4. Servicing rules to mortgage loans in authorized loan organization and requirements to organization of mortgage loan servicing are the followings:

9.4.1. Service procedure to mortgage loans in authorized loan organization begins with giving register to authorized loan organization by AMF in accordance to service agreement.

9.4.2. All copies of documents (loan file) on refinanced mortgage loan by AMF are providing to servicing authorized loan organization (if authorized loan organization allocated directly mortgage loan, origins of documents on mortgage loan is passing to AMF, and copies remain in authorized loan organization for servicing);

9.4.3. Servicing authorized loan organization should provide security keeping of loan file. Authorized loan organization should define for its employees working rules with these documents, and should not allow loss and extinguishment of loan file. Loan file means compact of documents formalized by authorized loan organization and expressing informations on mortgage loan, including borrower's execution of obligations on loan. Following documents should be added to loan file during service period to mortgage loan:

–Documents confirming transfer of payments by borrower (joint borrower) on main debt and interests payment account;

– Documents confirming transper of commission fee, penalties and interests payments on overdued loan by borrower;

- Documents confirming insurance fee payments, and also payments on real estate, municipal services and other services by borrower (joint borrower);
- Documents confirming transfer of payments to early or partially payment account (if such payments exist) of main debt by borrower (joint borrower);
- Report about all payments made by borrower (joint borrower) on mortgage loan;
- Report about inspection checking of mortgage object;
- Correspondence with borrower (joint borrower);
- Annual report in front of AMF about planning and real payments made by borrower;
- Report about overdue payments;
- Bank statement confirming complete payment of main debt and interests calculated to it.

9.5. AMF gives loans to authorized loan organization for servicing with obligation on rebuying of those loans by that authorized loan organization. If mortgage loans are not meet to requirements of AMF, authorized loan organizations take obligation on rebuying of require rights on mortgage loans.

9.6. In accordance with contract of Sides in case of arising conditions motivating rebuying of require rights on loan, authorized loan organization can make payments instead of borrower (joint borrower) with the condition of not exceeding 60 days rebuying of require rights.

9.7. If AMF detects non-satisfying execution of terms of loan servicing agreement by servicing authorized loan organization during investigation of refinanced mortgage loans, Fund can give require rights on mortgage loans to other authorized loan organization for servicing in accordance loans servicing agreement.

9.8. Only specially created structure divisions or employees relevantly passed trainings can be engaged to servicing of mortgage loans on servicing agreements.

9.9. AMF can give mortgage loan for servicing to other authorized loan organization on the basis of mutual agreement of Borrower and authorized loan organization servicing mortgage loan with the purpose of reconciliation of allocated mortgage loans to existing market terms.

## **10 Final regulations**

Problems which are not solved with these Requires are regulating with agreements signed between sides, internal rules of AMF and rules defined with existing legislation.