

## Pre-contractual information for loan contracts secured with residential real estate property

This pre-contractual information has been presented with the purpose of helping the loan applicant to make an informed decision on their loan needs and financial situation in advance, prior to concluding a loan contract. It is informative and general in its nature, which is why it cannot be demanded that a loan contract be concluded on the conditions provided herein. Versobank AS (hereinafter: Bank) will provide personalised pre-contractual information to the borrower before concluding the loan contract in the form of the European Standardised Information Sheet (ESIS) and an Information Sheet on responsible borrowing and the issuing of warnings.

In order to make an informed loan decision and to assess the obligations and risks related to the conclusion of a loan contract, the borrower has the right to submit questions to the Bank about the loan contract, both before concluding the loan contract as well as during the term of the loan contract. To obtain information or additional explanations, please address your loan executive or use the following contacts to reach us.

### Details of Versobank AS:

Address: Pärnu mnt 12, Tallinn

Phone: + 372 6802 500

Fax: +372 6802 501

E-mail: [info@versobank.com](mailto:info@versobank.com)

Versobank AS does not provide a credit advisory service in the sense of the Creditors and Credit Intermediaries Act. The decision to take a loan is made by the loan applicant who, based on the information presented, assesses the suitability of the loan product and the loan terms and conditions to their needs and financial situation, and is responsible for any consequences related to the conclusion of the loan contract.

### 1. Prerequisites for concluding a loan contract

In order to conclude a loan contract, a respective **application**, which is available on the Bank's web page at the address <http://www.versobank.com/private-loan-application-form-est.pdf>, must be submitted to the Bank.

A prerequisite for concluding a loan contract is having/opening a current account at the Bank. The current account is tied to the loan contract and is used for the contractual loan payments. Having a current account is compulsory until the obligations arising from the loan contract are fulfilled. In case of loan contracts concluded with several borrowers, all borrowers must have/open a current account at the Bank. When concluding the loan contract, the borrower takes the obligation to ensure that their income is paid to the said Current Account.

### 2. Withdrawal from the loan agreement

The borrower has the right to withdraw from the loan contract within a period of 7 (seven) days after signing the loan contract. The Bank shall not pay out the loan amount before the term for withdrawing from the loan contract has ended and withdrawal has not taken place.

### 3. Currency of the loan and requirements for the borrower

The Bank issues loans in euros. The borrower must be a citizen of the Republic of Estonia or a person residing in Estonia on the basis of a permanent or temporary residence permit, whose income has been verified by the Bank.

#### **4. Terms and conditions and payment term of loan disbursement**

The Bank transfers the loan to the borrower's current account at the Bank, either in full or in parts, after all the required contracts have been concluded (incl. the loan contract, security contract(s)) and, if necessary, having been presented the invoices, within the term established in the contract. The Bank issues the loan only when the borrower has paid their self-financed sum or the payment of the said sum is guaranteed and verified before the Bank. The Bank shall not transfer the loan to the borrower's current account, if establishing the security has become impossible or there are obstacles to doing so, until the obstacles are eliminated or the agreed payment term has passed.

#### **5. The purpose of the loan**

The Bank issues the loan for a specific purpose. The borrower is obliged to verify that the loan is being used for its intended purpose upon the demand of the Bank. If the borrower does not use the loan for its intended purpose, the Bank has the right to cancel the loan contract and to demand that the whole loan sum be returned immediately and/or to demand a contractual penalty of up to 10% (ten per cent) of the outstanding loan amount and/or unilaterally raise the interest margin applicable to the borrower by up to two percentage points.

#### **6. Security**

The Bank issues loans secured by real estate located in Estonia. The total value of the security must, in general, exceed the loan amount by 1.4 times. In order to determine the market value of the security, the borrower has the obligation to present an expert evaluation commissioned on their own account to the Bank, which complies with the applicable evaluation standards and has been compiled by an evaluation office accepted by the Bank (the list is available at the web address <http://www.versobank.com/private-loans-est.html>).

The Bank also accepts a surety by a private person as a supplemental security and security provided by the KredEx Foundation, if the loan is issued in cooperation with the KredEx Foundation.

The Bank shall have the right to request additional securities from the borrower or a third person indicated by the borrower and accepted by the Bank, when the value of the security of the loan contract has dropped by more than one fifth of its value at the moment of provision of the security, or when the obligations secured by the security have increased by at least one fifth of their value at the moment of their provision. When an additional security is not established, the Bank has the right to demand the premature repayment of the loan. The Bank also has the right to demand and the borrower the obligation to present to the bank on the account of the borrower a valuation report for the security for the performance of the loan contract, which has been compiled by an evaluator accepted by the Bank.

#### **Insuring the security property**

To ensure the performance of the loan contract, the borrower must insure the property pledged in the benefit of the Bank at the insurance provider of the borrower's choosing on conditions satisfactory to the bank, and the insurance contract and insurance cover must be valid until the end term of the Contract, whereas:

- The assets shall be insured at least in the extent of the reinstatement value of the assets;
- The assets shall be insured at least against fire, water, vandalism, and natural disasters;
- The beneficiary (recipient of the insurance indemnity) in the insurance agreement shall be the Bank;
- The insurance agreement shall be concluded with the minimum own liability enabled by the insurer;
- The borrower may amend the terms and conditions of the insurance contract concluded and/or prematurely terminate the insurance contract only upon the prior written agreement of the Bank;
- If the insurance contract is concluded for a shorter period than the contract, the borrower shall submit a copy of a new insurance agreement to the Bank 3 (three) working days before the end date of the validity of the previous insurance agreement.

#### **Borrower's additional obligations in relation to the security property**

Without the Bank's prior written consent, the borrower may not encumber their assets under rights of security or any other contract under the law of obligations or rights in rem (including rent, leasing, usufruct, etc.) or to transfer the property pledged in the benefit of the Bank.

#### **7. Interest rate, the terms and conditions of its amendment and the consequences of changing the interest rate**

Interest is a fee paid by the borrower to the Bank for using the loan. The interest rate can be variable (not fixed) or fixed.

A variable interest rate is comprised of a base interest rate and a margin. In case of a variable interest rate, the interest rate usually depends of the market interest rate of 6 (six) months' EURIBOR which is independent from the bank, or the Base Rate established by the Bank.

The Bank sets out the changes in EURIBOR in relation to the loan contract for the next six-month period (during which the interest rate does not change) 2 (two) times a year on the due date of the interest payment of each sixth month from the month of conclusion of the loan contract, based on the EURIBOR of the day preceding the due date of the Interest payment.

The Bank sets out the changes in the Base Rate for the next one-month period (during which the Base Rate does not change) 1 (one) time a year on the due date of the interest payment of each month from the month of conclusion of the loan contract, based on the Base Rate of the day preceding the due date of the interest payment.

Upon a change in the interest rate, the monthly repayment sum also changes, which in turn can involve bigger or smaller expenses in the repayment of the loan.

#### **8. Due Date of the Loan**

The borrower has the obligation to repay the whole loan by the due date of the loan. If the loan is repaid on the basis of a payment schedule, the borrower undertakes to repay the loan to the Bank on the due dates and in the amounts provided in the payment schedule, with the last repayment taking place on the due date of the loan along with any interest unpaid by the borrower as at the due date of the loan.

#### **9. Terms and conditions of loan repayment**

- When the loan is returned to the Bank on the basis of an annuity schedule, the borrower pays to the Bank during the whole term of the loan contract an annuity payment of the same size which is comprised of the repayment of the principal and the interest. In the beginning of the loan period the share of the interest in the annuity payment is bigger, and that of the principal payment, smaller. At the end of the loan period the proportions are reversed.
- When the loan is returned in equal payments of the principal, the borrower pays equal sums of the principal during the whole loan period to the Bank, which is supplemented by the interest, which is why the sum of the monthly payment to the bank may vary.
- When the loan is returned to the bank in fixed payments, the instalments paid to the Bank are equal during the whole loan period. The proportion of the principal and interest payments in the instalments can vary each month.
- If the loan is returned without a payment schedule, the borrower repays the whole loan on the due date of the loan. The borrower only has to pay the interest on a monthly basis. In such case, adherence to the terms and conditions of the loan contract do not ensure the repayment of the loan taken into use on the basis of the loan contract.

## **10. The terms and conditions of premature payment of the loan, incl. the notification period and fees**

Unless agreed otherwise, the wish to repay the loan or a part of it back prematurely must be communicated to the bank 10 days in advance and the Bank has the right to demand a fee for the premature repayment of the loan. The fee for the premature payment of the loan depends on whether a fixed or variable interest rate is applied during the time of the repayment.

In case of a variable interest rate the bank has the right to demand a fee from the borrower for the premature payment of the loan in the amount of the following three (3) months' interest accounted on the basis of the contractual interest rate. If the borrower notifies the Bank of their intention to repay the loan or part of the loan prematurely at least 3 (three) months in advance, the borrower is not required to pay a fee for the premature payment.

In case of a fixed interest rate the Bank has the right to demand compensation from the borrower for a loss directly related to the premature repayment of the loan or a part thereof. The compensation may not exceed 1% of the loan sum repaid prematurely, when the period between the premature payment of the loan and the due date of the loan agreed in the loan contract is longer than one (1) year and one-and-a-half per cent (0.5%) of the loan sum repaid, if the period is less than one year. The bank has the right to demand additional compensation for a loss, if the Bank has incurred a greater loss due to the premature payment of the loan or part thereof.

## **11. Costs related to the loan contract**

All costs related to the loan contract are covered by the borrower. The costs incurred by the borrower in relation to the loan contract can include:

- Fee for the concluding and amendment of a loan contract (according to the Bank's price list available at the address [www.versobank.com/price-list-09-05-2016-est.pdf](http://www.versobank.com/price-list-09-05-2016-est.pdf));

- Fee for the evaluation of the security property (is to be paid to a real estate company for the compilation of an expert evaluation, the list of real estate evaluators accepted by the bank is available at the address [www.versobank.com/private-loans-est.html](http://www.versobank.com/private-loans-est.html));
- Notary fee for the establishment of a security (additional information available at the address [www.notar.ee](http://www.notar.ee) or the Notary Fees Act available at [www.riigiteataja.ee](http://www.riigiteataja.ee) or a notary's office);
- State fee for making entries into the land register (additional information available in the State Fees Act available at [www.riigiteataja.ee](http://www.riigiteataja.ee));
- Fees related to insurance (according to the price list of the insurer);
- Late fee and/or contractual penalty and/or procedure costs if the borrower does not fulfil their obligations arising from the loan contract;
- Costs related to the cancellation of the loan contract;
- Surety fee of KredEx in case of using a KredEx surety (additional information available at [www.kredex.ee/eraisik/](http://www.kredex.ee/eraisik/));
- Other potential fees related to the performance of both the loan contract as well as other contracts related to the loan contract.

## **12. Costs incurred by the borrower in relation to a violation of the loan contract**

In case of a violation of the payment obligation of the borrower, as well as not paying the fees required upon the cancellation of the loan contract, the Bank has the right to demand a late fee from the borrower according to the rate established in the Bank's price list and/or the loan contract. In the case of arrears, the Bank sends a notice on the sum in debt to the borrower for each obligation that has become collectible, for which the borrower must pay a fee for the processing of debts. The Bank has the right to collect a contractual penalty from the borrower in the amount of up to 10% (ten per cent) of the outstanding loan balance, and/or the unilateral right to raise the interest margin applicable to the borrower by up to two percentage points in case of a violation of other or one of the obligations established in the loan contract. The rates of the late fee, debt processing fee and contractual penalty are included in the loan contract.

If the borrower does not make the payments arising from the loan contract by the agreed due dates, the Bank has the right to send the information on the arrears to the payment defaults register (e.g. Krediidiinfo AS).

**Payment of the late fee, debt processing fee and/or the contractual penalty do not release the borrower from the performance of their obligations arising from the loan contract.**

## **13. Cancellation of the loan contract and its consequences**

The Bank is entitled to cancel the loan contract prematurely, that is, to deem due dates to have arrived for the repayment of the unpaid loan sum, the payment of interest and the meeting of any other obligations under the contract, and to require the borrower to perform the above obligations for the benefit of the Bank within a reasonable time established by the Bank, in the case that one or several of the following circumstances occur before the due date of the loan:

- The borrower has not used the loan for its intended purpose and/or does not provide the Bank with information about the use of the loan for its intended purpose along with documents proving the manner in which the loan has been used;

- The borrower does not meet their payment obligations under the loan contract and has delayed at least three consecutive instalments partly or fully, and the Bank has given the borrower a term in writing of at least 2 weeks for the payment of the outstanding amount with a statement to the effect that the Bank will cancel the loan contract if the payments fail to be made within this term, requiring the repayment of the entire debt amount, or if the borrower has not settled the debt by the end of the term indicated in the statement;
- The borrower fails to duly perform one or several of their obligations under the loan contract or any other agreement concluded with the Bank to repay the loan and/or to pay interest or does not settle any other liability or does not meet any other obligation towards the Bank assumed under a security agreement concluded to secure the performance of the contract or under legislation, and the Bank has notified the borrower in writing of a due date for the resolution of the breach and the borrower has not ceased breaching the relevant obligation(s) by the due date indicated in the notification;
- The value of the asset pledged to secure the performance of the loan contract has lost more than one-fifth of its value as at the time of being pledged or the obligations secured by the security have increased by at least one-fifth compared to their amount as at the time when the security was established and the borrower or the party that granted the security (pledge) securing the performance of the loan contract has not, by the due date set by the Bank, granted any new security on conditions satisfying the Bank at least in an amount making up the decrease in the value of the security or the increase in the obligations;
- In the Bank's assessment, the solvency of the borrower and/or the guarantor guaranteeing the performance of the loan contract has deteriorated so as to call the due performance of the contract into question; also if the natural person providing a surety dies or if a surety provider or guarantor that is a legal entity is liquidated and the borrower has established no new securities by the due date set by the Bank on conditions satisfying the Bank at least in an amount making up the decrease in the value of the security or the increase in the obligations;
- The borrower has not provided the Bank with the documents and/or information specified in the loan contract and/or has provided the Bank with information in the documents submitted to the Bank that is not true;
- Events occur based on which the borrower may be presumed to be unable to fulfil the terms and conditions of the loan contract.

Upon the cancellation of the loan contract the bank has the right to initiate enforcement proceedings to sell the property encumbered with a mortgage or to apply to the court to have their claims settled.

In case of property encumbered with a mortgage the Bank has the right to demand the sale of property encumbered with a mortgage by means of compulsory enforcement in public auction. The enforcement proceedings, incl. the sale of the property, is concluded by a bailiff. The funds received from the sale of the property are used to settle the Bank's claims and any expenses related to the sale of the pledged property, including potential legal and enforcement expenses. If all claims have been settled and costs related to the sale of the pledged property covered, the remaining funds are transferred to the pledging party. If funds obtained from the sale of security do not suffice for the settlement of all of the Bank's claims, the Bank shall be entitled to have recourse to the courts. The Bank

also has the right to demand that a bankruptcy proceeding be initiated against the debtor, if the debtor has become insolvent.

#### **14. Amending the loan contract**

The terms and conditions of the loan contract are amended by means of a mutual agreement between the borrower and the Bank. When amending the loan contract the borrower must pay a fee for the amendment of the loan contract.

#### **15. Warning about the non-performance of the obligations taken with the loan contract.**

Non-performance of the obligations under the contract can involve serious consequences! For example, upon a failure to pay the instalments established in the loan contract, the Bank has the right to cancel the contract extraordinarily, to sell the mortgage on the security by means of compulsory enforcement in public auction, to publish information on the borrower in a debtors' database managed by AS Krediidiinfo or other third parties, etc. On their account, the borrower must also pay the late fees and costs related to the debt collection. In the case of arrears, the Bank sends a notice on the sum in debt to the borrower, for which the borrower must pay a fee for the processing of debts according to the provisions of the loan contract.

In the case of other violations,, like a failure to fulfil the obligation of the compulsory transaction volume, violation of the insurance obligation, disclosure of the information provided in the loan contract, a violation of the limitations on transactions and activities and violations of other obligations, the Bank has the right to collect a contractual penalty from the borrower in the amount of up to 10% (ten per cent) of the outstanding Loan balance, as well as the unilateral right to raise the interest margin applicable to the borrower by up to two percentage points.

The borrower must also take into account the fact that during the term of the loan contract their solvency may decrease and they might have difficulties meeting the payments if one or more of the following events occur:

- The borrower's income decreases, incl. loss/reduction of remuneration or other sources of income, arrival of pension age;
- The borrower's costs increase, incl. the borrower assuming another financial liability, the rising cost of living, rising housing costs;
- Decrease in the market value of the security property;
- The borrower concealed their actual loan interest and/or financial capacities upon applying for the loan, etc.

#### **16. Settlement of disputes**

Any disputes arising from the loan contract shall be settled by means of negotiations. If an agreement is not reached, both parties to the contract may turn to court or a state supervisory authority (e.g. the Financial Supervision Authority – contacts available on the web page [www.fi.ee](http://www.fi.ee) or the Consumer Protection Board – contacts available on the web page [www.tarbijakaitsemet.ee](http://www.tarbijakaitsemet.ee)) to resolve the dispute.