

Pre-contractual information on private loans of LHV Bank

Before you enter into a loan contract, you should think your decision through carefully. Please read and understand the terms of private loans on the LHV Web page at lhv.ee/eralaeen, and be sure to consult our specialists.

The terms and conditions provided in the pre-contractual information are not binding. The parties proceed from the terms and conditions of the loan contract upon entering into the loan contract.

General principles that should be kept in mind when taking out a loan

The solvency of the borrower may significantly change during the validity of the loan contract. When taking out a loan, the borrower must carefully think through whether he or she would be able to pay it back in the face of unfortunate uncertainties where the incomes drop and/or existing liabilities increase.

The borrower must also keep in mind that if his or her loan interest is tied to the Euribor, an increase in the Euribor level will translate into an increase in the monthly repayment.

Prerequisites to receiving a loan are a valid client agreement entered into with LHV as well as a bank account opened with LHV Bank.

Any failure to pay the contractual amounts may have serious consequences for the borrower (including the obligation to pay a fine for delay, premature termination of the loan contract, enforcement of the collateral) and this may impinge on the ability to get a loan in the future.

The borrower is liable for the performance of the obligations arising from the loan contract with all of his or her property.

The borrower must keep in mind that if the market value of the pledged immovable or any other property decreases, the bank may claim additional collateral.

The bank may disburse the loan in one or several tranches, depending on the terms and conditions set forth in the loan contract.

If the borrower takes the loan with a co-applicant, both parties are liable for the performance of the obligations arising out of the loan contract.

Before signing the loan contract, the borrower must confirm that:

- information he or she submitted to LHV Bank (incl. his or her interest and information on financial standing) and other materials and documents are sufficient, and the information presented in them is true;
- the loan obligation he or she assumes conforms to his or her needs and economic situation;
- he or she has examined the terms and conditions of the loan contract with sufficient attention and understands the essence of the obligations assumed by the signing of the loan contract, and wishes to enter into the loan contract subject to the terms and conditions set forth in it.

Collateral

When calculating the loan amount, LHV Bank also considers, in addition to the creditworthiness of the borrower, the acceptance level of the collateral. This represents a percentage of the market value of the collateral in the amount of which the bank agrees to grant a loan against the collateral. The acceptance level depends on the location, condition, age of the collateral, and other conditions.

The acceptance level of LHV Bank for a private loan is up to 70% of the market value of the collateral, depending on the location and condition of the collateral. This means that the remaining amount of the transaction is provided by the customer's self-financing.

If a legal share in an immovable is offered as collateral, the notarised conditions of use of the registered immovable must also be submitted to the bank.

Collateral may also be a deposit and/or securities.

If the collateral to be established is the joint property of spouses, the other spouse's consent is required to enter into the collateral agreement. Consequently, the spouse of the borrower must also come to sign the notarised collateral agreement.

With a view to performing the obligations arising from the loan contract, a mortgage for the benefit of LHV Bank is established on the collateral which is immovable in the amount that normally equals 1.3-fold (one point three fold) the loan amount.

If the borrower wishes to sell or lease the collateral during the validity of the loan contract, prior approval from the bank must be obtained.

Loan repayments and costs related to the loan

A monthly payment comprises the principal and interest. The interest payment depends on the loan amount as specified in the loan contract, the bank's marginal, and the Euribor (European Interbank Offered Rate).

Before entering into the loan contract, the borrower may request a sample schedule with the offered loan conditions from the bank, so as to better evaluate the amount of his or her monthly obligation.

Interest is calculated on the loan amount at the disposal of the borrower. Interest is calculated from the day the loan is given to the disposal of the borrower until the day when the borrower has returned the entire amount of the loan, and in accordance with the terms and conditions of the loan contract to LHV Bank.

Example 1. Annual percentage rate

The annual percentage rate of charge of a private loan is 4.72% per annum on the following example conditions: loan amount EUR 100,000, self-financing 30%, interest rate 4.41% per annum (variable, based on six-month Euribor), contract fee EUR 1,000 and the period of the loan is 120 months. The total sum of payments is EUR 124,785 to be paid in monthly annuity payments. In order to receive credit, an insurance contract on the collateral is entered into. The rate does not include the cost of establishing the collateral and insuring it.

The loan is repaid to the bank in monthly instalments pursuant to the payment schedule. On the day agreed upon in the loan contract, the bank debits the principal and interest of the loan from the borrower's account. It is the obligation of the borrower to make sure that sufficient funds are available on the account linked to his or her loan on that date for the payment of the loan amount.

Interest is tied to the six-month Euribor; thus, the amount of a monthly loan payment changes every six months when the Euribor level is changed. In order that the borrower knows the amount of his or her loan payment, the bank will e-mail a new schedule every six months. If the borrower does not receive the schedule, he or she must promptly notify the bank, since non-receipt of the repayment schedule does not release one from the obligation to repay the loan.

Example 2. Impact of Euribor changes on the amount of loan payments

The borrower enters into a loan contract for the amount of EUR 100,000. The six-month Euribor fixed in the loan contract is 0.404% and the bank's marginal is 4.5%. It means that the final interest is 4.904%. On the premise that the period of loan repayment is 30 years, the monthly loan payment is EUR 530.97. If, after six months, the Euribor rate has risen to 1.2%, the new interest rate will be 5.7%, meaning that the monthly loan payment increases to EUR 580.40.

The contract fee is a fee payable by the borrower to the bank for entry into the loan contract and is defined in the loan contract. The bank debits the contract fee from the account of the borrower on the day the loan contract is entered into. If the borrower's account does not hold sufficient funds, the contract fee or the outstanding amount is covered at the expense of the loan, or added to the borrower's debt.

If the borrower submits an immovable as collateral for the loan, he or she must consider additional fees and charges, which may be

- notary fee (the amount arises from the law),
- state fee (the amount arises from the law),
- contract fee (according to the terms and conditions of the loan contract),
- fee for the evaluation of the collateral (depends on the service provider).

The borrower must be prepared to pay such charges, even if the collateral agreement is entered into between the bank and a third party (e.g., when additional collateral is established).

The borrower is required to insure the immovable established as collateral under the terms and conditions agreed in the loan contract and submit the insurance policy to the bank promptly after entry into the loan contract. The borrower must also ensure the fulfilment of the insurance obligation and submission of the insurance policy if the underlying collateral is owned by a third party.

The collateral must be insured for the entire loan period and thus the borrower must consider the periodical costs of paying a premium for the collateral.

If the borrower wishes to repay the loan early (in full or in part), the bank may claim from the borrower a fee for early repayment.

Where a party to the contract wishes to amend the loan contract, the bank may claim from the borrower a fee for amending the loan contract.

Non-performance of payment obligations and applicable rates of penalties and fines for delay

Should the borrower face payment problems, we ask him or her to immediately contact LHV Bank so as to identify ways in which these problems can be resolved.

By entering into the loan contract, the borrower grants to the bank the right to debit any debts arising from the loan contract from the borrower's account. If the account does not hold sufficient funds on the debt repayment date, the bank may block the use of the account and debit the account to the extent of the debt upon receipt of funds.

If the borrower fails to make the payments arising from the loan contract on time, or pays the same in part, the borrower must pay to the bank a fine for delay for each delayed day. The fine for delay means the maximum rate applicable under current legislation to consumer credit for each delayed day. The rate of the fine for delay changes as provided for in the Law of Obligations Act. The fine for delay is calculated from the day following the payment day until the day when the debt is fully paid.

If the borrower fails to pay the contractual amounts on time, the bank may claim from the borrower compensation (incl. a fee for the notice of debt) for the costs incurred by the collection of the debt according to the rates established in the bank's price list and/or the actual costs incurred by the bank.

If the borrower fails to perform the obligations assumed under the loan contract and fails to remedy the violation by the new deadline granted by the bank, the bank may claim from the borrower a penalty of up to 3% of the loan amount.

Any costs incurred by the debt do not release the borrower from the making of monthly loan payments. The borrower needs to understand that failure to perform the monthly payment obligation may seriously impinge on his or her ability to get a loan in the future. Consequently, in case of payment problems, the borrower should contact the bank at the earliest opportunity to find the best solution to the situation that has arisen.

Consequences for violation of the loan contract

The bank has the right to not disburse the loan to the borrower, if at least one of the below circumstances exists:

- the due date for commencement of the use of the loan has expired. This date is usually up to two weeks after the day on which the loan contract was entered into;
- the borrower has failed to properly perform the loan contract and/or any other contract entered into with the bank and does not remedy the violation by the new deadline granted for this purpose;
- the borrower has failed to submit to the bank the requested documents or information, or has submitted false documents or information.

If the bank needs to verify documents and/or circumstances or make enquiries due to the fact that the borrower has failed to meet the terms and conditions of the loan contract, the borrower is required to compensate the bank for all costs incurred by verification or enquiries.

If the borrower and/or the owner of the collateral fails to insure the collateral on the terms and conditions set forth in and pursuant to the procedure provided for in the loan contract, or fails to submit an insurance policy to the bank, or if the bank has grounds to believe that the insurance cover of the collateral is invalid, the bank may enter into an insurance contract at its own discretion and add the expenses incurred in relation to this (including the premiums paid) to the borrower's debt.

In the event of full or partial destruction of the collateral, the bank may gain possession of the insurance indemnity and use it at its own discretion for fulfilment of the borrower's payment obligations arising from the loan contract or pay the indemnity to the owner of the collateral to restore the collateral.

Consequences and circumstances of cancelling the loan contract

If the borrower fails to perform the obligations agreed in the loan contract, the bank has the right to extraordinary cancellation of the loan contract and to claim prompt repayment of the loan from the borrower, plus prompt payment of the interest and other debts arising from the loan contract.

If the borrower is in arrears of three (3) consecutive monthly payments, the bank may issue a warning to the effect that the loan contract will be terminated, with communication of further actions of the bank, such as publication of the payment default in the payment defaults register of Krediidiinfo and collection of the debt via court. In such a stage, cooperation between the borrower and the bank is important so as to find the best option to solve the situation that has arisen.

LHV Bank may cancel the loan contract without advance notification and claim repayment of the entire debt upon occurrence of any one of the following events which are deemed a good reason and which the borrower does not remedy or eliminate within the new deadline of 14 (fourteen) days:

- the borrower has, in the loan application or in other documents related to the loan, submitted false information to the bank or failed to submit data which is known to the borrower and could impact performance of the loan contract;
- the borrower fails to partially or fully make at least three consecutive loan repayments;
- the borrower does not use the loan for the purposes set forth in the loan contract;
- the borrower fails to fulfil payment obligations with regard to other debt obligations assumed before the bank;

- the borrower does not perform other terms and conditions of the loan contract and/or collateral contract;
- the person acting as surety for, guaranteeing or otherwise securing the borrower's obligations arising from the loan contract is subjected to liquidation, restructured or declared bankrupt or the person has assumed additional debt obligations without the bank's prior written consent, and the borrower and the bank fail to reach an agreement with regard to the provision of additional collateral to the loan contract;
- the value of the property deposited as collateral has decreased and the bank believes that it is not sufficient to secure the obligations assumed, and the borrower and the bank fail to reach an agreement with regard to the provision of additional collateral to the loan contract.

Where the borrower stops pursuit of a solution, does not stop violation of the loan contract and continues to not perform his or her monthly obligations, the bank may unilaterally terminate the loan contract ahead of its term and initiate enforcement proceedings. The costs of such proceedings are set out in law and payable by the borrower.