

# Borrower's checklist and additional information for the applicant of a private loan secured with real estate

Taking a loan is an important decision and involves risks. We would like to help you in preparing an informed decision.

## When applying for a loan, you should prepare thoroughly:

- consider **for what and how much** loan you need and your sources for repayment;
- submit us **true and sufficient** information;
- make it clear for yourself which **costs** are involved in borrowing;
- consider the possibility that your financial situation may **deteriorate** and you must be able to repay the loan also when it happens;
- **examine** carefully all loan documents (agreement, information sheet, etc.) before signing;
- there are no unsolvable problems and situations, but there are different options – we are your **partner**, who you should contact well in advance even if you encounter problems with repaying the loan.

You may ask information about our loan conditions and get explanations both before concluding a loan agreement as well as during its term. In the case of questions, contact us on the general information lines of SEB Pank. When examining the loan conditions and agreement, please pay special attention to the following.

## 1. Standard European Consumer Credit Information

Before the conclusion of a loan agreement, we will deliver to you for your information a personal Standard European Consumer Credit Information sheet, on which we give brief information on the more important conditions of the agreement. Please examine carefully the information presented on the information sheet.

## 2. Solidary liability of several borrowers

If there is more than one borrower, they shall bear solidary liability upon the performance of the agreement: each borrower is responsible for the repayment of the loan and the fulfilment of other obligations assumed under the agreement to the full extent.

## 3. Loan currency

We issue the loan in the currency of your residence in Estonia, i.e. in euros. This cannot be changed.

## 4. Loan disbursement term and conditions

Generally, we disburse the loan to your current account at SEB Pank after all preconditions to loan disbursement have been met (e.g. an additional agreement, certificate, invoice, etc. has been submitted, collateral has been established, and you have not applied to withdraw from the loan agreement). Depending on the financing project, we disburse the loan either in one or in several parts.

Collateral and the extent of establishing the collateral (amount of the pledge, limit of liability of the provider of surety, etc.) are specified in the loan agreement. Generally, the amount of mortgage established over the pledged real estate is 1.3 times the loan amount.

If we request a valuation report certifying the value of real estate provided as security, you will be obliged to select the appraiser from among our accepted real estate agencies. Their list can be found on our website at <https://www.seb.ee/eng/loan-and-leasing/home-loan/home-loan/property-agencies-accepted-seb>.

## 5. Rate of self-financing

If you take a loan for buying real estate, you must provide your own financial contribution, the minimum amount of which we will specify also in the loan agreement. As a rule, the bank will not disburse the loan before you have paid the self-financed part.

Financial contribution may be replaced with additional collateral that suits the bank.

## 6. Additional obligations related to collateral

The real estate provided as collateral must be insured on conditions set out in the loan agreement. In order for us to establish that the insurance obligation has been met, you will have to send us **the insurance policy**.

If you:

- do not provide us with the insurance policy in a timely manner or
- do not insure the property established as collateral on the conditions of the loan agreement, we will present to you a claim for a contractual penalty.

If you wish to transfer or encumber (**including lease or rent**) the property provided as collateral,

- you as a borrower or
- the owner of the collateral

will first have to ask for our consent, whereas, in the case of a loan agreement secured by KredEx, to transfer the collateral or give it into the use of other persons (other than the spouse in common ownership), the bank must obtain prior consent of KredEx. We may ask to see the terms of the lease or rent agreement (draft agreement). If the transfer or encumbrance is made without the consent of KredEx, KredEx may cancel the surety agreement exceptionally and you will have to find a new additional collateral.

## 7. Purpose of the Loan

We grant the loan for a specific purpose, which will be stated in the loan agreement. If you do not use the loan for its intended purpose, we may

- demand a contractual penalty or
- extraordinarily cancel the agreement, demanding immediate repayment of the entire loan.

## 8. Interest and changes in interest

Interest is a fee that is paid for using the loan. The interest rate is specified in the loan agreement.

Interest rate may be unfixed (floating) or fixed for a specific period.

### Unfixed interest rate consists of

- floating base interest rate, i.e. Euribor, and
- an individual interest margin, which generally does not change over the loan term.

The interval after which Euribor may change depends on your chosen Euribor period upon the conclusion of the agreement. For example, the new value of 6 month Euribor is fixed after every six months. This interest rate could either increase or decrease every half-year and the loan repayment will either increase or decrease. Therefore, an increase of Euribor means a higher repayment of the loan.

Our experience shows that the prices of loans taken during the low period of base interest rate (Euribor) will most likely increase in the future, as the interest rate will rise.

Our loan agreement does not contain a provision that would stop the rise of the interest rate if the base interest rate increases. Negative value of base rate is deemed to equal zero.

Please consider whether you are still able to make the loan payments, should the interest rate rise to 5%. Our housing loan calculator (<https://www.seb.ee/eng/loan-and-leasing/home-loan/home-loan#calculators>), can assist you, allowing you to try out different interest change scenarios.

In order to mitigate the risk of raising Euribor, we suggest fixing the interest rate for an agreed period. **Fixed interest rate** comprises

- an individual interest margin and
- a fixed base interest rate, which we calculate based on the interest rate quoted for loans granted in euros at the international financial markets.

If you wish during the fixed interest period to

- repay part of the loan or the entire loan outside of the repayment schedule,
- change the fixed interest rate into floating interest, or
- shorten the loan term

and the market interest rate is lower at the moment of making these changes than the fixed interest rate agreed in the loan agreement, the bank will be entitled to request an **interest difference charge**. The rate of interest difference charge is the difference between the fixed base interest rate and the market interest rate as a percentage per year.

Market rate is the interest rate fixed for loans granted in euros at the international financial markets, which is in force until the end of the validity of the fixed base interest rate. You can ask us the size of market interest rate at any time.

If the base interest rate is unavailable, its publication has been suspended or is about to be terminated, the base interest rate may not be used, the methodology for calculating it has changed significantly, or the base interest rate is not applicable due to other circumstances beyond the control of the bank, we will replace the base interest rate with a reasonable new base interest rate of our choosing and, if necessary, will change the conditions of interest calculation. We will notify you of the date of commencement of the new base interest rate (replacement date). Within 60 days from the date of receipt of the notice or, if a fixed base interest rate is applied, from the date of its expiry, you may cancel the agreement without paying the early repayment fee by notifying us in advance and fulfilling all contractual obligations. If you do not fulfil all contractual obligations within the above-mentioned 60 days, the new base interest rate will apply as of the replacement date. If the base interest rate cannot be used, the most recent available fixing of the existing base interest rate will apply to the interest until the replacement date or until the next date of changing the interest rate following the date when the base interest rate is available again. If the most recent available fixing of the existing base interest rate or the new base interest rate is negative, it will be equal to the interest margin.

## 9. Loan repayment

We debit the payments to be made under the loan agreement from your current account. If you have taken the loan together with a co-borrower, we will have the right to debit the loan payments also from their current account.

To repay the loan and pay interest, we will agree on a payment schedule.

Based on an **annuity schedule**, you will make equal payments (annuity payments) each month, consisting of

- repayment of the principal part and
- interest.

In the case of an annuity schedule, the loan payment is smaller and the interest payment bigger at the beginning of the loan term. At the end of the loan term, the division is the opposite. If the interest rate changes or the loan repayment date is changed or if you repay the loan in bigger extraordinary payments, then the amount of annuity payment will also change.

In the case of a **schedule with equal principal parts**, you will pay equal principal amounts, to which interest will be added, throughout the loan term. Accordingly, the amount payable to the bank is different each month.

During a **grace period**, agreed with us, you will pay only interest. In this period, the loan balance will decrease at a slower pace (compared to the period without grace period) and accordingly, the total cost of interest paid on the loan will increase. Upon request, we will forward to you a sample repayment schedule at the conclusion of the agreement, which shows the principal and interest payments.

## 10. Early repayment

You may prepay the loan in full or in part, if you inform us of your wish 10 days in advance. Upon early repayment of the loan, we have the right to a contractual fee; the amount of the contractual fee depends on interest rate.

- **If you prepay a loan during the floating interest rate period**, the maximum contractual fee will equal three months' interest, which is calculated on the part of loan to be prepaid on the repayment date based on the effective interest rate. A contractual fee is not applied if the term for advance notice is three months and if you will repay within 10 days after the three months' notice date since the day we received your notice. The three-month notice date starts from the day we received your advance notice;
- **If you prepay a loan during the fixed base interest rate period** and if on the loan repayment date, the valid market rate is lower than the fixed interest rate, the contractual fee will equal the interest difference charge. We calculate the interest difference charge based on the market interest rate effective on the repayment date.

## 11. Amendments to the conditions of your loan agreement

Generally, the conditions of the agreement are amended upon agreement of both parties and this will be recorded in the annexes to the agreement. A fee is charged for amendments initiated by you.

## 12. Special conditions of the loan agreement

If the loan agreement contains mandatory special conditions, you will have to follow these with utmost care. This is the only way to be sure that the agreement will remain in effect.

## 13. Consequences and costs of violating the loan agreement

If you do not make the contractual payments in due time, we may demand a **penalty for late payment**. We calculate the amount on the delayed payments proceeding from the rate of late payment interest specified in the agreement.

Should you remain in **arrears**, we will first send you a reminder. If the debt is still not settled, we will send you a debt notice, for which you will be charged. We will also inform the persons securing the agreement of the debt.

If the payments are overdue for more than 45 days, we will forward the debt information to a payment default registry (Creditinfo Eesti AS).

If you violate a non-monetary obligation, we will be entitled to charge a **contractual penalty** in the rate set out in the agreement.

## 14. Cancellation of the agreement and the consequences thereof

The grounds for cancellation of the agreement are set out in the terms of the contract. We are entitled to extraordinarily cancel the loan agreement for example if you have delayed at least three successive payments.

If you do not pay the loan balance, interest, and other arrears, we will start collecting the debt, which may include judicial or execution proceedings and the forced sales of collateral. All costs related to debt collection will be borne by you.

## 15. Non-recurrent charges related to the conclusion of the agreement

When signing the agreement, you will pay a **contractual fee** in the amount and on the conditions set out in the agreement.

Please read also the price list of loans, which you can find from our website at <https://www.seb.ee/eng/price-list> and AS SEB Pank General Terms and Conditions and Procedure for processing client data at <https://www.seb.ee/eng/seb-pank-general-terms-and-conditions-and-procedure-processing-client-data>.

If you secure the performance of the agreement with a pledge, you may incur the following single charges:

- **state fee;**
- **notary fee;**
- **fee for the valuation of collateral;**
- **insurance premium;**
- **security contract fee** (in case of KredEx guarantee).

## 16. Fixed costs of the loan period

The following fixed costs related to the performance of the loan agreement are added to loan and interest payments:

- **monthly fee of current account** ([www.seb.ee/eng/price-list#accounts](https://www.seb.ee/eng/price-list#accounts));
- costs of **insuring the collateral assets**;
- costs related to ordering a **valuation of the collateral**, if valuation is necessary;
- **loan protection** coverage, if you have chosen this cover;
- **currency conversion cost**: if, on the payment date, the funds in the account determined for servicing the loan are insufficient in the loan currency, we may debit the payment in the funds of the account available in other currency, converting them into the loan currency based on the exchange rate effective at SEB at the moment of transfer.

## 17. Obligation to open an account and transfer the income

You (and your co-borrower) will have to open a current account with SEB Pank by the date of signing the loan agreement for the entire loan term. We have the right to require you (and co-borrower) to receive all your income in your current account at SEB Pank and make settlements with SEB unless otherwise agreed in the loan agreement.

## 18. Risk of possible decrease in solvency of the borrower

Please consider how you will cope with the repayment of the loan, should the overall economic environment deteriorate, your salary or other income decrease, and/or your other expenditures increase.

Analyse the actual financial situation of your family and consider taking out a suitable **insurance contract** (such as SEB Loan Protection).

**Contact us immediately** if you encounter solvency problems. Also call us right away also if your employment is terminated or an execution proceeding is commenced against you or your bank account has been seized. Together, we will find the most suitable solution to the situation. One possible solution could be, for example, an amendment of the payment date or granting a grace period, whereas you may also apply for postponement the final repayment date by the grace period.

## 19. Complaints and disputes

If you have any complaints concerning our activity, then first try to resolve the issue **by negotiating with us**. You can read about the general procedure of settling the disputes on our website at <https://www.seb.ee/eng/legal/how-complain>. However, you may always contact also your private client executive.

If you feel that our answer is not the one you expected from us and you still think that we have violated your rights when granting the loan, you will have the right to turn to the **Consumer Protection and Technical Regulatory Authority** (Sõle 23a, 10614 Tallinn; [www.ttja.ee](http://www.ttja.ee)) or the **Financial Supervision Authority** (Sakala 4, 15030 Tallinn; [www.fi.ee](http://www.fi.ee)), for advice and explanations.

Furthermore, to resolve a dispute, you may contact the **Consumer Disputes Committee** operating at the Consumer Protection and Technical Regulatory Authority or turn to **court**. A complaint to the Consumer Dispute Committee can be submitted also digitally via the Online Dispute Resolution website at <https://ec.europa.eu/consumers/odr/main/index.cfm?event=main.home2.show&lng=EN>.