**PRE-CONTRACTUAL INFORMATION FOR LOAN AGREEMENTS SECURED WITH REAL ESTATE**

Before making the final loan decision, loan applicants are advised to thoroughly review the terms and conditions of the loan agreement, the potential consequences of taking out a loan and, if they have any questions, to contact their loan manager to obtain clarification.

**Responsible borrowing**

The bank is obliged to follow the principles and requirements of responsible lending when providing or modifying loans. For the assessment of creditworthiness and the calculation of the maximum debt burden, the bank will be entitled to ask all the loan applicants for the necessary documents or information about obligations, earnings, financial situation or other circumstances that may affect the creditworthiness of the borrower.

For the assessment of creditworthiness, the borrower will provide the bank with the following information at a minimum:

- regular income and its amount,
- additional source of income and its amount,
- financial situation,
- an overview of the existing obligations.

In addition, the bank may ask the borrower for additional information and documents that attest to the accuracy of the information submitted. Among other things, these documents may include:

- a statement for an account at a different bank, an employer's certificate concerning regular income and/or the applicability/expiry of a trial period, a certificate as to the absence of any obligations at any other financial institution,
- financial documents about the borrower's business activities,
- tenancy agreements and the like. The bank is entitled to collect information about the borrower: from public database, for example, Krediidiinfo, public registers, from any other sources if possible.

**Interest rate**

Interest rate is the fee paid by the borrower for the use of the credit amount. The interest rate indicated in the loan agreement is comprised of a reference rate and a margin.

The reference rate type is either 6 months' EURIBOR, CPB or some other periodically changing interest type agreed between the parties.

The six-month EURIBOR ("European Interbank Offered Rate) is the pan-European interbank interest rate at which the leading banks of the European interbank money market provide one another term deposits; accordingly, the six (6) months' EURIBOR is the interest rate provided on deposits with a term of 6 months. The bank will not notify the borrower about changes in the reference rate beforehand. After a change in the reference rate, the bank will prepare a new repayment schedule for the borrower and forward it to the borrower via the Internet bank. The borrower may view the current values of EURIBOR on the website of the bank. If EURIBOR rises, this will result in a rise of the interest rate and an increase in the monthly repayment. If EURIBOR becomes negative, it will be considered equal to zero in the loan agreement.

Coop Pank's reference rate (CPB) is applied by Coop Pank mostly as the reference rate for loans with long repayment terms (home loan, loan against real estate collateral). CPB is quoted and published by Coop Pank on its website every banking day, taking into account money market interest rates and the current state of the economic environment in Estonia and worldwide.

In the case of loans with a fixed interest rate, an early repayment fee in accordance with the price list.

The minimum interest rate level is 0.00% per annum, that is, if the reference rate + the margin drop below 0.00% per annum, the fixed interest rate of 0.00% per annum will apply to the borrower until the date of the next change in the interest rate. Requirements for the conclusion of the loan agreement

A prerequisite for concluding a loan agreement is having a payment account at the bank. The loan amount will be transferred into the payment account, from which monthly repayments under the loan agreement will be made. If there are more borrowers than one, all the borrowers will have payment accounts at the bank. The loan agreement indicates the number of the borrower's payment account at the bank from which the bank will deduct the payments under the loan agreement on the payment due date. Having a payment account is compulsory until the obligations under the loan agreement have been met in full.

If there are more borrowers than one in the loan agreement, all of them will be solidarily responsible towards the bank for the performance of the obligations under the loan agreement, that is, the bank will be entitled to require all the borrowers to jointly perform the obligations in full or in part.

**Withdrawal from the loan agreement**

The borrower is entitled to withdraw from the agreement within seven (7) calendar days from the date of the conclusion of the agreement by presenting the bank with a withdrawal request in writing or via the Internet bank so that the bank receives the withdrawal request at 11:59 p.m. on the last day of the above term.

In the event of withdrawal from the agreement, the borrower shall immediately, but no later than within 30 (thirty) calendar days from the submission of the withdrawal request, repay the credit amount to the bank and any interest calculated on the credit amount from when it is drawn down until its repayment. Otherwise, the borrower shall not be deemed as having withdrawn from the agreement.

**Costs related to the loan agreement**

All costs related to the loan agreement are covered by the borrower.

The costs incurred by the borrower in relation to the loan agreement can include:

- fee for the conclusion of the loan agreement,
- fee for amending the loan agreement,
- fee for the assessment of collateral charged by a real estate agency for the preparation of an expert assessment according to the price list of the real estate agency,
- notarial fee for lodging or modifying collateral,
- state fee for lodging or modifying entries,
- costs related to insuring collateral late fee and/or contractual penalty and/or costs related to recovery if the borrower does not fulfil their obligations arising from the loan agreement;
- costs related to the cancellation of the loan agreement.

**Amending the loan agreement**

The terms and conditions of the loan agreement are amended by means of a mutual agreement between the borrower and the bank. If the loan agreement is amended, also the standard terms and conditions of the loan agreement may change, as a result of which the borrower shall review the amendments and the standard terms and conditions of the loan agreement and, if there are any questions, contact the loan manager. If the loan agreement is amended, the borrower shall allow for various costs (fee for amending the loan agreement, potential rise in the interest rate).

**Early repayment at the borrower's own request**

The borrower shall be entitled to repay the loan amount early in part or in full at any time. The borrower shall be obliged to notify the bank about their wish in advance. In the event of a failure to provide notification, the bank shall be entitled to claim an indemnity to make up for the costs agreed in the loan agreement.

In the case of loans with an interest rate which is not fixed, that is, which is variable, the amount of this indemnity is the total of up to three months' interest. If the borrower submits a written request with three months' advance notice, the early repayment indemnity shall not apply.

Loans with a fixed interest rate are subject to an early repayment fee in accordance with the price list. To review the price list, go to the website of the bank www.cooppank.ee.

If early repayment is desired, the loan manager should be contacted in order to clarify the process involved in early repayment and the precise amount repayable. Hazards and risks related to borrowing

When borrowing, a very significant risk is the borrower's decreased solvency in the future, which may be caused by a decrease in earnings (for example, losing a job or changing jobs, a pay cut, illness) or an increase in expenses (for instance, a rise in housing-related costs, assumption of additional obligations, birth of children into the family).

If interest on a loan is not fixed, that is, it is variable, this may be also considered a risk. In the event of an interest rate that is not fixed, the reference rate, 6 months' EURIBOR, changes every 6 months.

Example: Loan amount 40 000 euros, loan term 30 years, interest rate 6 months' EURIBOR + 2.80% per annum, EURIBOR 0.5% at the time of the issuing of the loan, interest rate 3.30% in total. On these terms and conditions, the monthly repayment under an annuity schedule is 175.18 euros.

If the 6 months' EURIBOR drops to 0.00% (that is, the drop is 0.50%), the monthly repayment under an annuity schedule is 164.36 euros.

If the 6 months' EURIBOR rises to 2.00% (that is, the rise is 1.50%), the monthly repayment under an annuity schedule is 209.87 euros.

The borrower shall also take into account that in the event of a reduction in the market value of the real estate or any other assets provided as collateral (for example, there has occurred an insured event for which no insurance indemnity is paid or the market value of the collateral has declined or the borrower or the owner of the collateral has rented or leased out the assets serving as collateral without the prior approval of the bank or recovery has been enforced against the assets serving as collateral or any other material circumstances become apparent) the bank shall be entitled to require the lodging of additional collateral by the borrower.

In addition, consideration has to be given to adverse consequences if the borrower does not meet in a timely manner the obligations assumed under the loan agreement. This situation may arise:

- in the event of default,
- or if, for example, the bailiff freezes the amount payable in a loan repayment due to maintenance claims against the borrower.

In the event of any delay in repayments (except for interest payments), the bank shall be entitled to begin to calculate late interest on any outstanding amount or shortfall. Calculation of late interest shall begin on the day following the repayment date and end on the full payment of the relevant amount. The late interest rate is set out in the loan agreement to be concluded and on the price list of the bank.

If the borrower does not meet their obligations under the agreement, the bank shall be entitled to claim a contractual penalty (for example, non-compliance with the insurance obligation).

In the event of a default on payments, the bank shall be entitled to disclose information about the borrower's arrears to AS Krediidiinfo. A default on an amount of not less than 30 euros (including interest and any late interest) and with a duration of not less than 45 calendar days shall be entered into the register of payment defaults.

In the event of delay in monthly repayments, by law the bank shall be entitled to extraordinarily cancel the loan agreement concluded early and require the repayment of the entire loan amount or any other amounts due under the agreement (interest, late interest, contractual penalty, agreement fee or debt processing fees). If necessary, the bank shall begin the sale of the property serving as collateral. In the event of the cancellation of the loan agreement, costs related to court, enforcement or bankruptcy proceedings may be added and shall be all payable by the borrower.

**Cancellation of the loan agreement**

Cancellation of the loan agreement or sale of the collateral on the initiative of the bank shall occur only if the borrower does not make loan repayments on time and the bank and the borrower do not reach an agreement to the satisfaction of both parties in relation to the fulfilment of the obligations. The bank shall be entitled to cancel the loan agreement if: the borrower defaults on their payment obligations under the loan agreement in part or in full on three consecutive instalments and/or interest payments,

- the borrower has, when applying for a loan, submitted false information to the bank or failed to submit information which is known to the borrower and which could affect the performance of the loan agreement and/or the assessment of their solvency,
- the borrower is not using the loan amount for its intended purpose,
- the market value of the assets provided as collateral declines, and no agreement is reached on the provision of additional collateral,
- there occur events preventing the prompt performance of the loan agreement by the borrower.

Upon the cancellation of the loan agreement the bank has the right to initiate enforcement proceedings for the foreclosure sale of the property encumbered with a mortgage or to apply to the court to have their claims settled. In the event of a foreclosure sale, the assets serving as collateral shall be sold. If enforcement proceedings are initiated, enforcement costs in accordance with the Code of Enforcement Procedure and the Bailiffs Act (www.riigitetaja.ee) shall be added on top of any liability under the loan agreement. The borrower shall undertake to pay any enforcement costs. Enforcement proceedings are conducted by the bailiff according to the Code of Enforcement Procedure. Collateral shall be sold in enforcement proceedings at public auction.

If difficulties arise in making repayments, the bank should be contacted in order to find the best possible solution for the situation that has emerged and prevent any additional costs that might be incurred.

We advise the borrower to carefully consider their options and needs and to review carefully the terms and conditions of the loan to ask the bank additional questions before concluding or modifying the loan agreement.