

UNOFFICIAL TRANSLATION

Appendix to the Resolution No 446, of the Governor
of the Bank of Mongolia, dated October 17, 2008

REGULATION ON MORTGAGE
LENDING PROCESS

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REGULATION ON MORTGAGE LENDING PROCESS

One. GENERAL PROVISION

1. Purpose of this regulation

- 1.1 The objective of this regulation is to regulate procedures for issuing mortgage loans, loan payment and monitoring while providing general methods and standards that are compliant with related laws.

2. Legislation

- 2.1 Issuance of mortgage loans shall be governed by the Civil code of Mongolia, Law on deposits, loans and banking transactions and authorized entity Law, and other related laws and this regulation.

3. Scope of this regulation

- 3.1 All banks shall follow this regulation in their operations.
- 3.2 Non-banking financial institutions shall follow this regulation at their own choice.

4. Terms and definitions

- 4.1 For the purposes of this Regulation the following definitions apply:
 - 4.1.1 “Mortgage loan” a loan that is collateralized by a real estate which is fully completed, evaluated by the state commission, registered by the state authority and real estate license is issued;
 - 4.1.2 “Lender” a bank issuing a loan;
 - 4.1.3 ”Loan applicant” a person applying for a mortgage loan;
 - 4.1.4 ”Borrower” a person who signed a mortgage loan contract and received the funds from a bank;
 - 4.1.5 “Stable income” an average annual salary: calculating next three years’ estimated salary based on past two years salary income;
 - 4.1.6 “Borrower with remuneration” a borrower with primary salary income, second income, bonus, and with additional income;
 - 4.1.7 “Rental income” income received from rental properties, accounting for utility expenses;
 - 4.1.8 “Self employed borrower” a person operates a joint or sole proprietorships, company to generate income;
 - 4.1.9 “Property purchase” contractual purchase of a new or old apartment building or a house that is built according to technical requirements;

- 4.1.10 “Home construction” finishes building a house by himself or herself or by a contractor on his or her own piece of land;
- 4.1.11 “Home improvement” process of improving, increasing, and renewal of an apartment or a house;
- 4.1.12 “Collateral” state registered property or other assets that a borrower offers a lender to secure a loan;
- 4.1.13 “Temporary collateral” collateral used for purchasing an apartment or a house without state registration certificate;
- 4.1.14 “Commercial Mortgage” a borrower is purchasing a real estate as an investment;
- 4.1.15 “Mortgage refinancing” Paying off an existing loan with the proceeds from a new loan and using the same property as collateral;
- 4.1.16 “Loan-to-value ratio” the ratio of an outstanding loan to the value of collateral;
- 4.1.17 “Debt-to-income ratio” the percentage of a consumer's monthly gross income that goes toward paying debts;
- 4.1.18 “Installment mortgage” a mortgage with over time equal payment;
- 4.1.19 “Balloon mortgage” a loan with one large payment due upon maturity;
- 4.1.20 “Bi-weekly mortgage” a mortgage payment plan where payments are made every two weeks to save on interest expense;
- 4.1.21 “Co-borrower” an individual who signs a loan contract and thereby assumes equal liability for it;
- 4.1.22 “Co-signer” an individual other than the borrower who signs a promissory note and thereby assumes equal liability for it;
- 4.1.23 “Buying down the interest rate” fees paid directly to the Lender at closing in exchange for a reduced interest rate.

Two. MORTGAGE LOAN PROCESS AND GENERAL REQUIREMENTS

5. Loan process stages

- 5.1 Mortgage loan issuing process consists of four primary stages:
 - 5.1.1 Collect loan application;
 - 5.1.2 Review applications; Appraisal processes?
 - 5.1.3 Decide on the loan; Approval processes?
 - 5.1.4 Review and close on the loan. Loan monitoring and Follow-up checks

6. Lender’s rights and duties

- 6.1 Lenders shall comply to following rights:
 - 6.1.1 Thoroughly present the loan product, application process and supporting documents to loan applicant;

- 6.1.2 Collecting mortgage loan applications under unified framework, performing a credit appraisal under a sound lending policy and issuing loans to qualified applicants;
- 6.1.3 Through evaluation of all supporting documents when reviewing loan application;
- 6.1.4 Loan shall be granted on basis of applicant's actual need and qualification;
- 6.1.5 When collateral is being sold, borrower will receive amount from the sale only if the sale price is higher than the sum of interest payments, accrued interest payments and principal payment, and related cost of default.

7. Mortgage loan types

- 7.1. Mortgage loans shall be classified to following types by its purpose:
 - 7.1.1 Purchase of an apartment or a house;
 - 7.1.2 Home construction;
 - 7.1.3 Home improvement.
 - 7.1.4 Commercial mortgage
- 7.2. Mortgage loans shall be classified by loan purpose, requirement, borrower profile, loan structure, payment schedule and financing requirement:
 - 7.2.1 Buying down the interest rate: According to 4.1.23 a borrower can pay upfront fees to reduce interest rate. Two main types of buying down the rate are:
 - 7.2.1.1 Buying down the interest rate during the loan period;
 - 7.2.1.2 Buying down the interest rate at the beginning of the loan period. Lender will decide on the term, fee amount and other variables.
 - 7.2.2 Adjustable rate mortgage: the interest rate paid on the outstanding balance varies according to a specific market benchmark.
 - 7.2.3 Fixed rate loan: the interest rate on the loan remains the same through the term of the loan. Mortgage loan shall be paid off fully within 15 years maximum.
 - 7.2.4 Balloon loan: Balloon loan has following qualities:
 - 7.2.4.1 Long term fixed interest rate;
 - 7.2.4.2 Principal payment due upon maturity;
 - 7.2.4.3 Loan principal and interest amounts be fully paid at the end of the loan term;
 - 7.2.4.4 Borrower has a right to make change in loan payment schedule.
 - 7.2.5 Bi-weekly loan: A mortgage plan where half the scheduled monthly payment is made every two weeks. A bi-weekly mortgage plan will result in interest savings over the life of the mortgage.
- 7.3. If mortgage loan terms are changed due to market conditions, mortgage loan can be refinanced with both Lender and Borrower's consent.

8. General requirements for mortgage loan applicants

- 8.3 Loan applicants shall meet the following requirements: <-Дугаарлалт 8.1 байна

- 8.3.1 A Mongolian citizen, over the age of 18 with full legal capacity
- 8.3.2 Family income shall be sufficient to make monthly payments;
- 8.3.3 Minimum of 30% of down payment shall be put in forward by the borrower;
- 8.3.4 Minimum of 50% of down payment shall be put in forward by the borrower applying for commercial mortgage;
- 8.3.5 Collateralized real estate shall be registered by the state, not double registered nor legally pursued by the third party whatsoever;
- 8.3.6 To have no non-performing loan history
- 8.4 Loan applicant shall administer following rights and duties:
 - 8.4.1 Use of borrowed funds shall be correctly determined;
 - 8.4.2 Stated income amount shall be correct and accurate;
- 8.5 If loan is approved, loan applicant shall administer following rights and duties:
 - 8.5.1 Pay off scheduled loan principle and interests fully;
 - 8.5.2 If Borrower did not pay his or her scheduled mortgage payment on time, late payment interest will be added to the original rate until borrower fulfills contractual agreement.
 - 8.5.3 If loan is not paid in full at the term end, borrower is fully responsible for the bearing all cost incurred by Lender under the relevant law.

9. Loan processing fees

- 9.1 To increase the involvement from both parties associated with mortgage lending process certain fees shall be paid by the Borrower. Fees shall not exceed 1% of loan amount, and include following costs:
 - 9.1.1 Loan engagement;
 - 9.1.2 Loan application processing;
 - 9.1.3 Credit appraisal and approval processes;
 - 9.1.4 Collateral inspection and evaluation processes ;
 - 9.1.5 Credit history review;
 - 9.1.6 Communication;
 - 9.1.7 Additional review, monitoring;
 - 9.1.8 Loan extension.

10. Loan terms

- 10.1 Mortgage loans shall meet following requirements:
 - 10.1.1 Minimum of 12 months of loan term;
 - 10.1.2 Loan-to-value ratio shall be given by the Mongolbank;
 - 10.1.3 Loan-to-value ratio shall not exceed 50% for commercial mortgage;
 - 10.1.4 Debt-to-income ratio shall not exceed 45%. Borrower can have multiple outstanding loans. Debt to income ratio shall be calculated based on all outstanding loans;

- 10.1.5 Loan prepayment penalty and fees shall be prearranged by the Lender;
- 10.1.6 Mortgage interest rate and late payment fee shall be calculated according to appendix (Form И3005 and И3006);
- 10.1.7 Borrower can apply for a refinancing after meeting following conditions:
 - 10.1.7.1 Previous 12 months' mortgage payment record shall be in good standing;
 - 10.1.7.2 To meet collateral requirements, borrower's requirement, income requirement, and other requirements.

Three. REQUIREMENTS TO ACCEPT MORTGAGE LOAN APPLICATIONS

11. Receiving loan application

- 11.1. After receiving loan application, Lender shall perform following three steps:
 - 11.1.1. Loan officer shall meet with applicant to listen their loan interest in person;
 - 11.1.2. Monitor on collecting process of necessary loan documentation;
 - 11.1.3. If required, obtain necessary information regarding Borrower from third party.
- 11.2. Loan officer shall arrange a meeting with applicant as follows:
 - 11.2.1. At the meeting with applicant, loan officer shall calculate and discuss about applicant's employment status, personal businesses, average monthly income, value of collateral, down payment amount, monthly payment amount, loan term, and determine whether applicant satisfies with requirements stated in this regulation;
 - 11.2.2. If applicant meets the requirements, loan officer shall provide Applicant with loan terms, requirement, and borrower's duties. Officer shall also give professional advice on loan conditions, types, and schedule, and hand out all necessary forms;
 - 11.2.3. Loan officer shall collect the documents only after reviewing if loan application (form И3002) and supporting documents are correct and compare them with original copies of those documents.

12. Credit documentation

- 12.1 If loan applicant is met with mortgage lending requirements, Applicant shall complete following documents as in Form И3001:
 - 12.1.1 Application form И3001 includes general information: (Loan applicant's family's educational background, employment status, personal business information).
 - 12.1.2 Identification Cards of Applicant and their family members together with notarized copies.
 - 12.1.3 Picture 3x4 (photographed within past six months).
 - 12.1.4 Others

- 12.2 Following requirements must be met when the Lender is collecting documents from loan applicant:
 - 12.2.1 Originals copies shall have no over-writes or fixes whatsoever;
 - 12.2.2 Loan applicant shall fill the application form and bring original copies of all necessary documents.
 - 12.2.3 All supporting documents must be handed over within 30 days from the first day of loan application.

- 13. Employment status and income supporting documents

- 13.1 Income source shall be classified in to two forms, salary income and personal business income.
- 13.2 Applicant with remuneration shall submit following documents:
 - 13.2.1 Employer's salary notes, copy of bank card transactions within past 12 years;
 - 13.2.2 Salary income statement;
 - 13.2.3 Employment contract;
 - 13.2.4 Previous two years' employment status and salary record;
 - 13.2.5 To review social insurance's previous two years' salary record matches with original copy;
 - 13.2.6 For commission based salary incomes, a proof of stable income;
 - 13.2.7 Addition salary, and bonuses;
 - 13.2.8 A proof of employment for at least 12 months at the same company.
- 13.3 Applicants with personal business shall submit following documents:
 - 13.3.1 Previous two years' financial statements and tax last year's tax statement, profit and loss report, inventory record;
 - 13.3.2 State registration certificate, notarized copy of the company bylaws;
 - 13.3.3 Minimum of two years of experience that business sector;
 - 13.3.4 All necessary special licenses and permits;
 - 13.3.5 If business doesn't have special permits, necessary documents to verify its existence such as rental agreement;
 - 13.3.6 Other income source verification;
 - 13.3.7 Copy of previous 18 months' bank transaction;
 - 13.3.8 Borrowers past records of lending shall be in good standing.
- 13.4 Following incomes are classified as other source of income:
 - 13.4.1 Wire transfer: Previous 12 months' wire transfer receipts
 - 13.4.2 Other types of remuneration:
 - 13.4.2.1 Proof of overtime paychecks
 - 13.4.2.2 Proof of bonus payment
 - 13.4.2.3 Secondary job; according to 13.2 document guideline
 - 13.4.2.4 Proof of seasonal income
 - 13.4.3 Financial assistance

- 13.4.3.1 Disability compensation record, ID;
- 13.4.3.2 Pension income, pension record;
- 13.4.3.3 Child support, record, court order;
- 13.4.3.4 Other welfare support records.
- 13.4.4 If loan applicant has savings income, investment income, dividend income, following requirements must be met:
 - 13.4.4.1 Name of the bank, information, account holder's name, account number, transactions record, savings record, balance has to be verified;
 - 13.4.4.2 For applicants with financial investments, name of the invested company, broker name, number of stocks, and authorized organization's statement needs to be reviewed.
- 13.4.5 Income source from donation:
 - 13.4.5.1 Donor's name and address;
 - 13.4.5.2 Phone, address, and reason for donation
 - 13.4.5.3 Donation amount
- 13.4.6 Grant from an organization
 - 13.4.6.1 Supporter's information, address, and phone;
 - 13.4.6.2 Verify that the organization has official grant program;
 - 13.4.6.3 Verify that the grant is non-refundable;
 - 13.4.6.4 Proof of applicant's acceptance of the grant.
- 13.4.7 Rental income record: previous 12 months rental income record and contract
- 13.4.8 Guarantor
 - 13.4.8.1 Guarantor's name and address;
 - 13.4.8.2 Income level, supporting documents;
 - 13.4.8.3 Relationship to loan applicant;
 - 13.4.8.4 Amount.
- 13.4.9 Evidence of loan applicant's capability to pay down payment
 - 13.4.9.1 Record of escrow account that down payment is placed;
 - 13.4.9.2 Savings contract, checking account balance;
 - 13.4.9.3 Other supporting real estate documents to show loan applicant's financial capability/capacity??
 - 13.4.9.4 Receipt of down payment to construction company.

14. Documents needed for the purchase of a housing unit

- 14.1 Following documents shall be submitted to for a new apartment purchase
 - 14.1.1 Copy of the State inspection evaluation report of building commissioning;
 - 14.1.2 Original copy of apartment sales contract or investment contract;
 - 14.1.3 Investment contract, or down payment receipt from construction company.
- 14.2 Following documents shall be submitted to for an old apartment purchase
 - 14.2.1 Original copy of the sales contract

- 14.2.2 Copy of the notarized state registration certificate (including both old and new owner);
- 14.2.3 Inquiry from state registration office regarding property ownership rights (must be within 7 days);
- 14.2.4 Evidence of down payment to the seller.
- 14.3 Following documents shall be submitted to for a house purchase
 - 14.3.1 Original copy of the sales contract;
 - 14.3.2 Notarized copy of the land and house's state registration certificates;
 - 14.3.3 Inquiry from state registration office regarding property ownership rights (must be within 7 days);
 - 14.3.4 Evidence of down payment to the seller.
- 14.4 Following documents shall be submitted to improve housing condition
 - 14.4.1 Record of 30% of construction budget is financed by the borrower;
 - 14.4.2 Original copy of collateral's state registration certificate along with inquiry;
 - 14.4.3 Total remodeling construction budget, contracts with contractors.
- 14.5 Proof of address
 - 14.5.1 Statement from khoroo's governor stating official address, extent of time, and number of family members.
 - 14.5.2 Ownership status of the apartment building Applicant live in:
 - 14.5.2.1 If it is rental apartment, then rental agreement and payment history;
 - 14.5.2.2 If it is owned, notarized copy of the state registration certificate.
- 14.6 Proof of credit record
 - 14.6.1 Inquiry report (form И3003) from Mongolbank's credit database;
 - 14.6.2 Statement from previous creditors, including payment receipts, report on paid off loan, or outstanding balance on the loans.
 - 14.6.3 Statement from mortgage Lender stating payment record, history of late payment (late more than 30 days), loan status, certified copy of the outstanding balance.
- 14.7 Balloon loan borrower has a right to make change in loan payment schedule. The borrower has to meet following criteria to make change to loan payment schedule:
 - 14.7.1 Borrower has to reside and own the property;
 - 14.7.2 No late payments in previous 12 months;
 - 14.7.3 Last lump payment amount can be determined by the Lender and the Borrower taking account borrower's cash flow.
- 14.8 Following documents are required from co-signer:
 - 14.8.1 Co-signer's income statement;
 - 14.8.2 Relationship between applicant and co-signer;
 - 14.8.3 Co-signer shall collect same documents as applicant.
- 14.9 Loan applicant and co-signer have to have life and property insured. Following documents have to be collected:

- 14.9.1 Insurance statement and contract from insurance company;
- 14.9.2 Information on insured person's inheritor;
 - 14.9.2.1 Bank officer shall explain that property and life insurance payment amount will be set between bank and insurer.
 - 14.9.2.2 Information from third party.
- 14.10 Loan officer preserve the right to obtain information and facts from third party in cases where officer thinks is crucial to borrower's loan appraisal.

Four. MORTGAGE LOAN APPRAISAL

15. General guidelines for mortgage appraisal

- 15.1 To make credit appraisal, Lenders shall review the supporting documents, meet with applicants, obtain information from third party, and see the property in person as written in Article 3 of this regulation. Following assessment has to take place to determine the borrower's creditworthiness:
 - 15.1.1 Thoroughly examine legitimacy of all application documents;
 - 15.1.2 Loan applicant's marital status;
 - 15.1.3 Employment status;
 - 15.1.4 Business condition;
 - 15.1.5 Income stability;
 - 15.1.6 Calculate real income and capacity to pay;
 - 15.1.7 Calculate Debt-to-Income ratio;
 - 15.1.8 Loan responsibility;?????
 - 15.1.9 Risk analysis;
 - 15.1.10 Condition and valuation of collateral;
 - 15.1.11 Credit scoring
 - 15.1.12 Analysis and opinion.

16. Loan applicant's income assessment

- 16.1 Lender shall follow following guidelines to determine applicant's income stability:
 - 16.1.1 Identify applicant's income level from loan application documents (according to Article 3);
 - 16.1.2 If income source stability is not identified, loan officer shall gather additional information to make final decision;
 - 16.1.3 If loan applicant has changed his or her employer more than two times within past couple years, income source shall be rated as not stable;
 - 16.1.4 If applicant's most income comes from commission, bonus, or short term contracts, then average of previous two years of income shall be used;
 - 16.1.5 Consider the fact that applicant is employed by one employer at least two years, and working for the same employer for previous 12 months.

- 16.1.6 Following methods must be used to determine income stability of a business owner.
 - 16.1.6.1 Assess income stability period;
 - 16.1.6.2 Assess business condition, location, products and services demand, financial capability, and business period;
 - 16.1.6.3 Previous two years' profit loss statement, evidence of revenue source;
 - 16.1.6.4 Business's credit record.
- 16.1.7 Income stability shall be assessed by means of documents required in Article 13.4.

17. Collateral assessment

- 17.1 Lender's assessment of collateral
 - 17.1.1 Lender's requirements on collateral:
 - 17.1.1.1 Collateral has to be financially liquid;
 - 17.1.1.2 Purchased housing shall be bought with a purpose of living;
 - 17.1.2 Following criteria must be met for apartment that is being purchased with a loan:
 - 17.1.2.1 Connected to engineering network, high liquidity in the market;
 - 17.1.2.2 Commissioned and evaluated by the state inspection commission.
 - 17.1.3 Following criteria must be met for houses that is being purchased with a loan:
 - 17.1.3.1 Piece of land and house both shall be registered by the state registration office;
 - 17.1.3.2 To meet collateral requirements;
 - 17.1.3.3 The land not to be located in public location (street, road, recreational land, parks, cemetery, garbage disposal place, sanitation land, pasture land, wood, river, special purpose land, utility network land).
 - 17.1.4 Collateral on investment mortgage loan shall meet following addition requirements:
 - 17.1.4.1 Borrower doesn't have to live in the newly bought housing.
 - 17.1.4.2 Following requirements has to be met for the rental housing:
 - 17.1.4.2.1 Copy of rental agreement;
 - 17.1.4.2.2 Renter's proof of payment;
 - 17.1.4.2.3 Rental insurance;
 - 17.1.4.2.4 Rental agreement shall be registered by the state registration office.

18. Complete mortgage loan risk analysis

- 18.1 Mortgage loan risk analysis shall be based on following criteria:
 - 18.1.1 Loan to Value ratio;
 - 18.1.2 Borrower's asset's financial liquidity;

- 18.1.3 Employment status;
- 18.1.4 Mortgage loan term;
- 18.1.5 Product type;
- 18.1.6 Real estate category;
- 18.1.7 Type of transaction (escrow account, cash or non-cash)
- 18.1.8 Co-borrower
- 18.1.9 Debt to Income ratio;
- 18.1.10 Previous mortgage loan record;
- 18.1.11 History of bankruptcy;
- 18.1.12 Record on sold collateral;
- 18.1.13 Address consistency;

19. Valuation of collateral

- 19.1 When valuing collateral, Lender shall follow the steps in form H3004 including collateral statement, environment study, construction site, improvement, rooms, interior condition, parking garage.
- 19.2 Lender may use scoring system on applicant's documents.

20. Loan decision proposition

- 20.1 Based on loan applicant's application review and risk analysis Lender shall make its decision on loan approval.

Five. MORTGAGE LOAN DECISION

21. Loan application decision

- 21.1 Loan approval decision shall be based on application analysis and following:
 - 21.1.1 If loan officer sees the applicant is good for the loan. He or she shall get an evaluation report from risk analyst before submitting the loan application to the loan committee;
 - 21.1.2 Before making final decision credit committee members shall review loan application evaluation, price of housing unit, down payment, loan amount, and loan term;
 - 21.1.3 After loan decision has been made, loan officer shall introduce loan terms and conditions to adult members of the applicant's family;
 - 21.1.4 Loan and collateral contracts shall be prepared based on loan decision and sales contract between Borrower and seller;
 - 21.1.5 Based on sales contract escrow account service contract shall be signed;

- 21.1.6 Escrow account contract shall be signed only after checking if loan applicant is capable of paying down payment or already has paid to seller.
- 21.1.7 Right after borrower places his down payment money to escrow account, bank will place borrower's money to the account; however, if down payment is already paid in full, bank will immediately place the money in the account. Loan term will start from the day the bank places its money in escrow account.
- 21.1.8 Credit committee shall review if interest rate, loan term, payment schedule, collateral and other conditions are correctly placed in the mortgage contract.
- 21.1.9 Banks' branch director shall sign and seal only after reviewing housing unit, copy of land ownership certificate, numbers, location, value of collateral, borrower's signature, co-borrower's signature, and validate signatures by comparing them to signatures on their national ID's.
- 21.1.10 Collateral rights will be legitimate only after bank's branch director signs on the collateral contract and registers it with state registration office.
- 21.1.11 After the Lender registers the contract, it shall insure the collateral according to article 22.
- 21.1.12 After the registration, Lender shall wire the money in the escrow account to the seller with both parties' joint consent. Bank shall keep a copy of land ownership certificate, copy of housing state registration certificate, 2 copies of collateral contract, and original copy of insurance contract.
- 21.1.13 If Lender decides that loan can't be approved, then Lender shall immediately notify the borrower of its decision.

22. Insurance terms

- 22.1 Loan applicant may get an approval from insurance institution on the collateral before the loan issuance.
 - 22.1.1 After the loan approval, applicant and the collateral shall be insured by following two insurances at all times until the loan is paid off:
 - 22.1.2 Property insurance;
 - 22.1.3 Loan insurance: life insurance
- 22.2 Lender shall cooperate with the insurance company by signing "Insurance cooperation contract."
- 22.3 By automatically adding the monthly insurance premium to the monthly mortgage payment Borrower is fully insured.
- 22.4 In case if insurance money is distributed, Lender shall receive compensation for its loan, interest, and accumulated insurance money first.

23. Loan profile

- 23.1 After loan decision has been made, Lender shall keep loan profile shall be made according to Form H3007 and be kept in safe and organized manner.

Six. MORTGAGE LOAN SERVICE AND MONITORING

24. Mortgage loan service

- 24.1 Following services will be served for normal mortgage loan:
 - 24.1.1 Inform about loan's term end to the borrower;
 - 24.1.2 Correct record of interest and principal payments;
 - 24.1.3 Keep borrowers information, profile, and certificates;
 - 24.1.4 Inform about changes to the loan policy;
 - 24.1.5 Ensure if money is being used as agreed on the contract;
 - 24.1.6 Take all necessary means to collect late loan payments;
 - 24.1.7 Quality of collateral, intact state, security;
 - 24.1.8 Borrower's income stability.

- 24.2 Following additional monitoring will be performed on late and non-performing mortgage loans:
 - 24.2.1 Send a notice;
 - 24.2.2 Perform in-course monitoring on loans and on collateral valuation;
 - 24.2.3 Change loan terms;
 - 24.2.4 Take all necessary means to collect payments from "bad debt" borrowers;
 - 24.2.5 Sell of collateral;
 - 24.2.6 Distribute income from sale of collateral.

25. Mortgage loan contract termination

- 25.1 If any of the following events occur, loan and any other obligation of the Borrower to the Lender, shall become due immediately, terminating the contract:
 - 25.1.1 If Borrower is late on interest and principal payment (fully and partially) more than 90 days;
 - 25.1.2 It is found out that Borrower is not using the money as agreed during the in-course examination;
 - 25.1.3 If housing value is decreased due to extensive wear and tear, loss, damage;
 - 25.1.4 Fraudulent documents are submitted;
 - 25.1.5 Suddenly Borrower's ability to pay his scheduled payment is damaged due to borrower's newly acquired legal duties to a third party.
 - 25.1.6 Borrower is fired, income has decreased significantly due to his or her employability, business license is revoked, business has stopped, and during the in-course examination Borrower's family finance deteriorated and bankrupted;
 - 25.1.7 Borrower is deceased, gone missing, legal competence is past, Borrower's inheritors didn't agree with a bank to take the responsibility for the rest of the

debt, in all those situations bank will terminate the contract and require the co-Borrower and co-signers to pay off the loan.

Mongolbank