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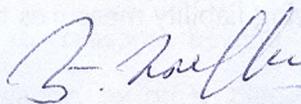
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"TRANSLATION CENTRE OF THE MINISTRY OF JUSTICE

OF THE REPUBLIC OF ARMENIA"

STATE NON-COMMERCIAL ORGANISATION

EMILIA ADUMYAN



DIRECTOR

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LAW OF

THE REPUBLIC OF ARMENIA

Adopted on 25 October 2017

### ON HOME MORTGAGE

This Law has been adopted by pursuing the need to protect the interests of consumers in home mortgage market, to define uniform rules in the home mortgage sector for the purpose of raising the level of protection of interests of persons receiving mortgage loans, contributing to the enhancement of financial intermediation, strengthening trust on the side of consumers in the financial system.

### **Article 1. Subject matter of the Law**

1. This Law shall regulate relations pertaining to the exercise of rights by a mortgagor entering a home mortgage contract, disclosure of information by the mortgagee, conclusion of home mortgage contracts and other relations associated with such contracts, applying liability measures to the mortgagees.

### **Article 2. Legislation on home mortgage**

1. Relations pertaining to home mortgage in the Republic of Armenia are regulated by this Law and other legal acts.
2. With regard to the procedure for calculation of the effective annual interest rate for home mortgage loans, the advertising, communication between the mortgagee and mortgagor, provisions of Chapters 4 and 5 of the Law of the Republic of Armenia "On consumer credits" shall be applied to the relations not regulated by this Law, unless otherwise provided for by this Law.

### **Article 3. Main concepts used in the Law**

1. The following main concepts are used in this Law:
  - (1) **home** — an apartment as defined in Article 222 of the Civil Code of the Republic of Armenia, as well as a private house;
  - (2) **home mortgage loan, mortgage loan or loan** — a credit, borrowing or other financing provided by the mortgagee under the following conditions:
    - a. the purpose of extending the loan is to purchase, build, reconstruct, repair, develop or renovate a home; and
    - b. loan repayment is secured by a home under mortgage or an apartment under mortgage in a multi-apartment building being built,

pursuant to Article 270 of the Civil Code of the Republic of Armenia, or by a land parcel under mortgage envisaged for building a home, unfinished construction under mortgage and materials and equipment acquired for the construction and owned by the pledgor, in accordance with Article 271 of the Civil Code of the Republic of Armenia, or where it is not possible to pledge the home to be purchased, built, reconstructed, repaired, developed or renovated due to reasons beyond the control of the mortgagee or the mortgagor, by other pledge, provided that in case of elimination of circumstances excluding the pledging, the apartment to be purchased, built, reconstructed, repaired, developed or renovated will be pledged; and

- c. the loan has been extended for interest.

Within the meaning of this Law, the loans or borrowings provided to the mortgagors with the purpose of refinancing of loans referred to in this point shall be also deemed as mortgage loans;

- (3) **home mortgage contract or mortgage contract** — a contract by which a mortgagee shall provide or shall be obliged to provide a home mortgage loan to the mortgagor;
- (4) **nominal interest rate of the loan** — fixed or floating rate based on which the mortgagee calculates the interest amounts to be paid by the mortgagor;
- (5) **fixed interest rate** — nominal interest rate of a loan, which according to the mortgage contract:
  - a. shall not be altered during the entire term of mortgage contract; or
  - b. may be adjusted (increased or decreased) for just any part of the term of the mortgage contract subject to conditions referred to in part 6 of Article 12 of this Law;

- (6) **floating interest rate** — the nominal interest rate of a loan, which may be altered (increased or decreased) during the term of mortgage contract depending on the changes of specific, announced indicators that are beyond the control of mortgagee, which are taken as basis for calculation of the interest rate. The acceptable indicators or the criteria for selection of indicators taken as basis for calculation of the floating interest rate shall be prescribed by the regulatory legal acts of the Central Bank.
- (7) **mortgagor** — a natural person receiving a loan;
- (8) **mortgagee** — a bank or a credit organisation;
- (9) **loan repayment fees** — fees charged for repayment of the loan and fees included by the mortgagor in the total costs of credit;
- (10) **effective annual interest rate** — as defined in the Law of the Republic of Armenia "On consumer credits".
- (11) **total cost of credit** — all interests and other fees the mortgagor has to pay (make) for crediting;
- (12) **overdraft** — an amount extended by a bank as a credit on a bank, deposit or other account for the purposes provided for by this Law, or a promise to extend such an amount, including those provided via payment cards.

#### **Article 4. Information bulletin**

1. The mortgagee shall be obliged to issue an information bulletin for each type of home mortgage offered thereby. Information bulletins on all types of mortgage loans may be combined also in a single information bulletin, provided that the single information bulletin provides information on each type of loan, as prescribed by this Law.
2. Each information bulletin must contain the following information:

- (1) the purpose of the loan;
- (2) the amount, the type of nominal interest rate of the loan (fixed or floating, moreover, these types may not be named otherwise than it is provided for by this Law), and where the nominal interest rate is floating, the conditions and the procedure for changing it, as well as explanation of the factors underlying the change of the interest rate;
- (3) effective annual interest rate of the loan;
- (4) indication of the fact that the mortgagor shall incur costs for insurance, appraisal or other auxiliary services or for notary services or shall make additional payments for state registration of the rights to the property, if the mortgagee knows that the mortgagor shall incur such costs;
- (5) indication of costs referred to in point 4 of this part that are not included in the calculation of the effective annual interest rate;
- (6) where the mortgagee makes the use of services of particular insurance companies and valuers a condition precedent for extending the loan, then it shall indicate about that, as well as shall provide information for contacting the insurance companies and valuers included in the lists issued by the mortgagee, including the names, addresses, phone numbers;
- (7) the minimum and maximum size of the loan;
- (8) the minimum and maximum term of the loan;
- (9) indication of the right to early fulfilment of obligations in full or in part assumed under the mortgage contract, as well as the early closure fee to be charged on the mortgagor for exercising such right in the cases stipulated in this Law, or other unfavourable consequences for the mortgagor;
- (10) indication of the security ensuring fulfilment of obligations by the mortgagor;

- (11) information on repayments on the loan, particularly the periodicity of these payments, information on such periodic payments being fixed or on their increase or decrease during the term of mortgage contract, the list of payments for repayment of the loan;
- (12) the maximum ratio between the loan amount and the estimated market value of a home;
- (13) where in specific situations it is possible to receive a loan with preferential conditions different from the general ones, then an indication of such specific situations shall be included;
- (14) warning that the mortgagor may lose his or her right to title to a home in case of failure to fulfil or improper fulfilment of obligations assumed under the mortgage contract;
- (15) information that the mortgage agreement must be certified by a notary, except when the mortgage agreement complies with the conditions of the standard mortgage agreement approved by the Decision of the Government of the Republic of Armenia adopted based on the Civil Code of the Republic of Armenia and that the title to the apartment, rights under mortgage and other property rights are subject to state registration;
- (16) where a floating interest rate is applied, it is necessary to indicate the maximum thresholds beyond which the nominal interest rate of the loan may not increase or decrease;
- (17) other information to be mandatorily included in the information bulletin prescribed by the regulatory legal acts of the Central Bank that is needed for protection of the interests of the mortgagors. The Central Bank shall have the right to define by its regulatory legal acts also requirements for the form of drawing up information bulletins, content, the format of the

information to be included in information bulletins, texts, standard templates subject to mandatory application;

3. The information bulletin shall not contain any other information apart from those prescribed by part 2 of this Article. Information not prescribed by part 2 of this Article may be submitted to the mortgagor in the form of an annex attached to the bulletin.

#### **Article 5. Publishing and providing information bulletins**

1. The mortgagee shall be obliged to publish the information bulletin on its official website, as well as make it available (including by using technical devices) on its site in a place visible for the customers.
2. The mortgagee shall be obliged to provide free of charge the information bulletin to any person on the territory of the Mortgagee upon the request thereof.

#### **Article 6. Concluding a mortgage contract**

1. A mortgage contract shall be deemed concluded when the written offer of the mortgagee on concluding a mortgage contract is submitted to the mortgagor in person or by mail and the mortgagor accepts this offer in writing. The mortgage contract may be concluded by drawing up a single document, in particular by submitting to the Mortgagor draft of the contract signed by the mortgagee and by signing thereof by the mortgagor. The mortgagee shall be obliged, at least seven days prior to concluding the mortgage contract, to submit to the mortgagor the offer to sign a mortgage contract and the draft of the mortgage contract. The mortgagee shall submit to the mortgagor for signature only the draft of the mortgage contract which has been provided to the mortgagor within the time period prescribed by this part. Where an amendment is made not by

the mortgagor to the draft mortgage contract which had been submitted to the mortgagor, the amended version of the mortgage contract shall be also submitted to the mortgagor at least seven days prior to concluding such a contract.

2. The offer for concluding a mortgage contract shall be effective for seven working days unless a longer time period is provided for by the offer. The starting date for the seven-day period referred to in this part shall be the working day following the day when the offer has been submitted to the mortgagor for concluding the mortgage contract.
3. The mortgagor may accept the offer to conclude a mortgage contract within the time period referred to in part 2 of this Article. The mortgagor shall accept the offer to conclude a mortgage contract by signing it and returning it to the mortgagee in person or sending it to the mortgagee by mail, if so agreed by the mortgagee.
4. The offer to conclude a mortgage contract shall contain the information referred to in Article 7 of this Law, as well as information on the right of the mortgagor to accept the offer within the time period referred to in part 2 of this Article.
5. The mortgagee shall ensure that the mortgagor receives one original copy of the mortgage contract not later than within two working days following the date of concluding the mortgage contract. The statement of the mortgagor on not receiving an original copy of the mortgage contract shall be deemed as truthful unless otherwise is proved.
6. Upon request of the mortgagor the mortgagee shall be obliged to provide to the mortgagor the copy of the mortgage contract as approved by the mortgagee. In order to provide a copy of the mortgage contract the mortgagee shall have the right to charge only the fee necessary for preparation of the copy of the mortgage contract.

## **Article 7. Minimum requirements for the mortgage contract**

1. The mortgagee shall be obliged to ensure that the mortgage contract includes at least the following:
  - (1) information provided for by points 1, 2, 4, 5, 6, 9, 10-12 and 14 of part 2 of Article 4 of this Law;
  - (2) the effective annual interest rate of the loan, as well as information provided for by point 2 of part 2 of Article 4 of this Law;
  - (3) the amount of fees included in overall costs incurred by the mortgagor with regard to the loan, an indication of an option to change or not to change the amount of the fees during the term of the mortgage contract, as well as information as to which party of the mortgage contract shall bear additional obligation with regard to the change in the amount of fees;
  - (4) credit repayment schedule, in accordance with Article 9 of this Law;
  - (5) the date on which the loan amount has been made available for the mortgagor;
  - (6) the forfeiture of collateral, including the following:
    - a. forfeiture through judicial procedure or without applying to the court;
    - b. the method of selling the collateral;
    - c. the approximate amount of costs associated with the sales of the collateral as of the time of concluding the contract;
    - d. information on tax liabilities arising due to sales of the collateral, as of the time of concluding the contract;
  - (7) the amount of the fine and/or penalty charged in case of the failure to pay or delayed payment of the loan amount or a part thereof. The mortgagee shall be obliged to enshrine in the mortgage contract also the maximum cap

for fines and penalties that may be charged. The mortgagee shall be obliged to also define in the mortgage contract that in case of the failure to pay or delayed payment of the loan amount or a part thereof, no fee other than the fine and/or penalty provided for by the mortgage contract may be charged from the mortgagor;

(8) an indication that the mortgagor shall have the right to insure its risks associated with the mortgage contract through any insurer acceptable for the mortgagor;

(9) other information prescribed by regulatory legal acts of the Central Bank.

2. To protect the interests of mortgagors, the Central Bank shall establish by its regulatory legal acts the texts or standard templates to be mandatorily used for the information referred to in part 1 of this Article, including requirements and standard templates pertaining to the minimum terms of the mortgage contract.

#### **Article 8. Information provided to mortgagor**

1. During the term of mortgage contract the mortgagee shall be obliged, within the time period prescribed by the regulatory legal acts of the Central Bank, to inform the mortgagor in advance on the following:

(1) on the change in the amount of the interest rate and other fees included in the overall costs to be incurred by the mortgagor with regard to the loan, if the mortgage contract stipulates that the latter implies relevant change in liabilities of the mortgagor during the term of the mortgage contract;

(2) on changes in rights and responsibilities of parties prescribed in a mortgage contract due to the amendments made in legal acts, which arise from the requirements of part 2 of Article 438 of the Civil Code of the Republic of Armenia;

- (3) on other circumstances prescribed by the regulatory legal acts of the Central Bank. The regulatory legal acts of the Central Bank may not prescribe provisions not provided for by mortgage contracts that have deteriorating effect on the Mortgagor.
2. The mortgagee shall be obliged to regularly provide a statement to the mortgagor free of charge; however, the statement shall be provided not later than 20 working days prior to each periodic payment (repayment). The mortgagee shall be also obliged to provide a statement to the mortgagor free of charge at least four times during a year, upon the mortgagor's request. The statements provided to the mortgagor shall at least reflect the following information:
  - (1) the outstanding balance of the loan;
  - (2) the time period and the days falling therein on which the information is provided;
  - (3) the interest rate of the credit applied during the time period indicated in the statement;
  - (4) payments made by the mortgagor as of the date of issuing the statement;
  - (5) the amount of the next outstanding payment (repayment) to be made by the mortgagor and the date of payment (repayment);
  - (6) where a default penalty is accrued, then the calculated default penalty;
  - (7) other information prescribed by regulatory legal acts of the Central Bank.
3. The information provided for by parts 1 and 2 of this Article shall be provided through electronic communication unless the mortgagor submits a request on receiving information through means or one of the means referred to in part 4 of this Article.

4. The mortgagor may — upon the written application thereof, including the application submitted in electronic form — waive the right to receive through electronic communication the information prescribed by part 1 and/or the statement prescribed by part 2 of this Article, provided that the information and/or the statement is received through postal communication or other means of communication or on the site of the mortgagee. The mortgagor shall have the right to receive the information prescribed by part 1 and/or the statement prescribed by part 2 of this Article on the site of the mortgagee in person, and in this case the mortgagee shall be obliged to provide the same information to the mortgagor through postal communication, electronic or other means of communication. A provision or agreement restricting the right of the mortgagor to receive the information and/or the statement through postal communication or other means of communication or on the site of the mortgagee in person shall be null and void. The mortgagee shall not have the right to make the mortgagor, including by creating unfavourable situation for the latter, waive the right to receive through electronic communication the information and/or the statement prescribed by this Article.

Moreover, the mortgagor shall have the right to change the means of communication for receiving information not more than once a year, upon its written request, and this change shall be applied to the communication effected after 30 days following receipt of written application by the mortgagee.

5. In case the procedure for communication prescribed by this Article is violated during the state of emergency or the martial law in the Republic of Armenia, the mortgagee shall be exempt from liability provided for by this Law, where the impossibility of ensuring such procedure is related to declaring state of emergency or martial law.
6. Any written document addressed by the mortgagee to the mortgagor must be composed in simple literary Armenian (rule of simple language). The use of other

languages along with Armenian is not prohibited. The documents referred to in this part may be composed only in the language preferred by the mortgagor, where the mortgagor has submitted such a request and the mortgagee has accepted the request.

7. Information provided by the mortgagee to the mortgagor must not be confusing, complicated or misleading.
8. For the purpose to protect the interests of mortgagors, the Central Bank may define in its regulatory legal acts forms, texts or standard templates to be mandatorily used for the information addressed to the mortgagor by the mortgagee and/or other minimum requirements.

***(Article 8 amended, edited by HO-472-N of 27 October 2020)***

***(Law [HO-472-N](#) of 27 October 2020 has a transitional provision)***

#### **Article 9. Loan repayment and the repayment schedule**

1. The loan repayment schedule included in the offer on concluding a mortgage contract shall be drawn up with the assumption that the mortgage contract shall be concluded on the last day of seven-day period provided for by Article 6 of this Law unless a later time period is prescribed by the contract (preliminary schedule).
2. The preliminary loan repayment schedule must contain an indication that the preliminary schedule may be adjusted.
3. Where the mortgage contract is concluded earlier than the last day of seven-day period provided for by Article 6 of this Law, the loan repayment schedule shall be adjusted by the mortgagee if necessary (final schedule).
4. The time periods for making loan repayments may be changed due to adjustment of preliminary schedule. The number and the periodicity of the loan repayments may not be changed due to adjustment of preliminary schedule.

## **Article 10. Amending the mortgage contract**

1. A mortgage contract may not contain a provision allowing the mortgagee to unilaterally amend the terms of the contract. It shall be prohibited to include a provision in a mortgage contract whereby the mortgagor allows the mortgagee to unilaterally amend the terms of the mortgage contract in future.
2. The mortgagee shall have the right to establish for the mortgagor an interest rate lower than the one stipulated in the mortgage contract or more favourable conditions of the contract. The mortgagee shall notify the mortgagor thereon as prescribed by the mortgage contract. The lower interest rate or favourable conditions of the contract offered by the mortgagee shall be effective without amending the mortgage contract, if the mortgagor does not notify the mortgagee on rejection of the offered new conditions within a 30-day period following the day of receipt of notification, in due procedure prescribed by the mortgage contract.
3. An amendment complying with the requirements of Article 9 of this Law, which is made to the schedule provided for by this Law due to partial early repayment of the loan, shall not be deemed as unilateral amendment to the mortgage contract made by the mortgagee.

## **Article 11. Warning the Mortgagor**

1. Any written document related to the mortgage loan addressed to the mortgagor by the mortgagee must contain a warning that the mortgagor may be deprived of his or her title to home in case of failure to fulfil or improper fulfilment of the obligations assumed by the mortgage contract.
2. The text of the warning referred to in part 1 of this Article must be at least in the font size used for the rest of the text in the written document.

## **Article 12. Calculating the interest rates**

1. The nominal interest rate provided for by the mortgage contract shall be applied to the actual outstanding balance of the loan.
2. Interest amounts that the mortgagor is obliged to pay on the loan shall be accrued starting from the day of disbursement of the loan to the mortgagor, and where the loan is provided as an overdraft, starting from the day of actual use of the account funds by the mortgagor.
3. Where the mortgagee provides loans both with fixed and floating interest rate, it shall offer the mortgagor to choose the type of the interest rate.
4. In case of using a floating rate:
  - (1) the nominal interest rate of the loan may change not more than twice in a year;
  - (2) the changed interest rate shall be applied for the outstanding balance of the loan;
  - (3) changed interest rate shall be applied for the outstanding balance of the loan not earlier than after a month the mortgagor is notified thereon.
5. Where a floating rate is applied, the mortgage contract shall set thresholds beyond which the nominal interest rate of the loan may not increase or decrease, regardless the extensiveness of change of the indicators taken as basis for calculation of the floating interest rate. The maximum threshold for increasing the nominal interest rate may not exceed the maximum threshold for decreasing the nominal interest rate.
6. Where a fixed interest rate is applied under the mortgage contract, which may be adjusted (may increase or decrease) at any time during the term of the mortgage contract, the mortgagee shall ensure all conditions mentioned below:

- (1) the interest rate may not be adjusted (may not increase or decrease) during first three years of the term of the mortgage contract, except for the cases where the adjustment of the interest rate is made for the benefit of the mortgagor. The mortgagee shall have the right to make adjustment of the interest rate for the benefit of the mortgagor any time and with any periodicity, as soon as the mortgagor consents to it; and
- (2) only approved indicators that are beyond the control of the mortgagee, which are prescribed by a regulatory legal act of the Central Bank or indicators meeting the criteria of selection thereof as prescribed by a regulatory legal act of the Central Bank, may be taken as basis for the adjustment of the interest rate (increase or decrease); and
- (3) indicators for adjustment of the interest rate meeting the requirements of point 2 of this part and the conditions for adjustment of the interest rate (increase or decrease) must be clearly specified in the mortgage contract. Moreover, the indicators for the adjustment of the interest rate and for the adjustment conditions must be identical both in case of increase and decrease of the interest rate; and
- (4) the mortgagee shall be obliged to adjust (increase or decrease) the interest rate if the indicators taken as basis for adjustment of the interest rate and meeting the requirements of point 2 of this part specified in the mortgage contract are changed, and the conditions for adjustment of the interest rate specified in the mortgage contract are present; and
- (5) the mortgage contract shall define maximum thresholds, beyond which the interest rate of the loan may not increase or decrease, regardless the extensiveness of change of the indicators taken as basis for calculation of the interest rate. Moreover, the maximum threshold for the interest rate increase may not exceed the minimum threshold for the interest rate decrease.

### **Article 13. Early repayment**

1. The mortgagor shall have the right to early repay the loan or a part thereof, including through a refinancing. Where the loan or a part thereof is early repaid, the mortgagee shall:
  - (1) reduce the general cost of the loan pursuant to the requirements prescribed by a regulatory legal act of the Central Bank, including the total outstanding interest amount under the mortgage contract, fees for extending and servicing the loan;
  - (2) upon the choice of the mortgagor:
    - a. reduce the amount of monthly repayments proportional to the early repaid amount, leaving the term for repayment of the loan unchanged; or
    - b. reduce the term for repayment of the loan leaving the amount of monthly repayments unchanged.
2. The mortgagee may not charge any fine, penalty, commissions, compensation from the mortgagor for early repayment of the loan extended with a floating interest rate or a part thereof, including for early repayment of the loan or a part thereof through refinancing, or set forth other unfavourable conditions for the mortgagor, except for the cases referred to in point 2 of part 4 of this Article. The mortgagee may charge a fine, penalty, commissions, compensation from the mortgagor for early repayment of the loan extended with a fixed interest rate or a part thereof, including for early repayment of the loan or a part thereof through refinancing, or set other unfavourable conditions for the mortgagor only in the cases referred to in part 4 of this Article.
3. A fine, penalty, commissions, compensation or other unfavourable terms shall not be applied against the mortgagor, where:

- (1) the mortgage contract prescribes that in case of early repayment of the loan or a part thereof no fine, penalty, commissions, compensation shall be charged for the entire term of the mortgage contract, including in the first three years;
- (2) at any point in the contractual year the mortgagor early repays the outstanding principal for that contractual year according to the loan repayment schedule. For the purpose of this part, contractual year shall be deemed a 12-month period starting from the next day following the date of entering the mortgage contract. In the case referred to in this point, the mortgagor shall have the right to request the mortgagee to recalculate the interest accrued against the amount early repaid and outstanding according to the loan repayment schedule and that the mortgagor pays interests as recalculated for the rest of the contractual year. The Central Bank shall establish in its regulatory legal acts the procedure for recalculation of interests referred to in this point.

4. Where the mortgagor:

- (1) repays early the loan extended with a fixed interest rate or a part thereof during the first three years of the term of the mortgage contract:
  - a. the mortgagee shall have the right to request the mortgagor to pay a compensation for the loss related to reinvestment of the early repaid loan;
  - b. the mortgagor shall have the right to request the mortgagee to reduce respectively the further costs thereof related to the loan received, if the mortgagee receives additional income due to reinvestment of the early repaid loan;
  - c. where the loan provided for by this point or a part thereof is repaid early, the mortgagee shall submit to the mortgagor an agreement on

compensation to be paid to the mortgagee provided for by sub-point "a" of this point or an agreement on calculation and the amount of additional income to be paid to the mortgagor. The agreement shall be signed by the mortgagor and the mortgagee. After signing the agreement, the mortgagee shall not bear responsibility for the calculations represented therein, the amount of compensation or additional income to be paid.

- (2) is provided a loan with any type of interest rate, the mortgagee shall have the right to charge from the mortgagor a one-time fine for the early repayment of the amount in excess of the one referred to in point 2 of part 3 of this Article, as follows:
  - a. in the amount of maximum 0.6 percent of the early repaid amount of the loan where early repayment is made during the first year of the term of the mortgage contract;
  - b. in the amount of maximum 0.4 percent of the early repaid amount of the loan where early repayment is made during the second year of the term of the mortgage contract;
  - c. in the amount of maximum 0.2 percent of the early repaid amount of the loan where early repayment is made during the third year of the term of the mortgage contract;
- (3) in accordance with point 1 of this part, the amount of compensation for losses to be paid to the mortgagee or the reduced amount of future costs associated with the loan may not:
  - a. exceed the amount of losses incurred or the income received;
  - b. exceed 3 percent of the early repaid amount in excess of the amount specified in point 2 of part 3 of this Article; and

- c. be in excess of the amount calculated for the period comprising the date of early repayment of the loan and the expiry of the first three years of the term of the mortgage contract.
5. The Central Bank shall establish in its regulatory legal acts:
  - (1) the methodology for determining the amount of the loss or the income associated with early repayment of the loan;
  - (2) base interest rate which is taken as basis for determining the loss, income and costs referred to in point 1 of this part.
6. In the offer to conclude a mortgage contract, the mortgagee shall be obliged to clearly indicate whether a fine or any other fee will be charged for early repayment of the loan or a part thereof and suggest that the mortgagor independently chooses an option at his or her convenience. Where a fine or any other fee is established under a mortgage contract for early repayment of the loan or a part thereof, the interest rate of the loan provided under such contract must be lower as compared to the interest rate that would apply if no fine or any other fee were charged.
7. The mortgagee shall be obliged to channel the amounts paid by the mortgagor in excess of the loan repayments to repay the outstanding balance of the loan unless it has received other written order (or instruction to pay) by the mortgagor.

Where in the result of channelling the loan repayment amounts in excess of periodic repayments a fine and/or a penalty accrues for the mortgagor under the mortgage contract, the mortgagee may channel such excessive amounts to loan repayment only upon the consent of the mortgagor.

8. The Central Bank shall establish in its regulatory legal acts the procedure for drawing up a new schedule for repayment of the loan by the mortgagee in case

of early repayment of the loan, the time frames and the procedure for providing the new schedule to the mortgagor.

9. Where amounts are paid in excess of periodic repayments, the mortgagee shall provide the mortgagor free of charge a statement stipulated in Article 8 of this Law, as well as the original copy of the adjusted loan repayment schedule as approved by the mortgagor and the mortgagee.

#### **Article 14. Auxiliary services**

1. The mortgagee may not make the use of auxiliary services provided thereby or other persons a precondition for concluding a mortgage contract, except for the insurance and/or property valuation services. For the purposes of this Law, services provided by state or local self-government bodies or notaries shall not be deemed as auxiliary.
2. The mortgagee may make the use of services of certain insurers licensed by the Central Bank a condition precedent for conclusion of the mortgage contract, provided that the list of the insurers acceptable for the mortgagee includes not less than three insurers, of which at least two must not be affiliated to the mortgagee. The mortgagee shall be obliged to provide the mortgagor with the opportunity to offer the mortgagee to use the insurance services acceptable for the mortgagor.
3. The mortgagee may make the use of services of certain valuers a condition precedent for conclusion of the mortgage contract provided that:
  - (1) the list of the valuers acceptable for the mortgagee includes not less than four valuers;
  - (2) the list of the valuers acceptable for the mortgagee may include only the immovable property valuers entitled to appraise immovable property that

are included in the list of persons published by the State Committee of the Real Estate Cadastre adjunct to the Government of the Republic of Armenia;

- (3) at least four valuers acceptable for the mortgagee shall not be affiliated to one another and/or to the mortgagee and/or with the managing staff of the mortgagee;
  - (4) the mortgagee must take all necessary and sufficient measures to check and detect the affiliation of the acceptable valuers to one another, as well as to itself and the managing staff thereof. Where affiliation or interest is revealed, cooperation with that valuer shall be excluded;
  - (5) the contract concluded between the mortgagee and the acceptable valuer shall include a provision that the valuer shall be obliged to take all necessary and sufficient measures to check and detect the interest of the valuer or the employees thereof, and/or their influence on the results of valuation;
  - (6) the mortgagee shall not guide the customer towards or make the provision of the service conditional to the use of the services of any of the valuers from the list of acceptable valuers.
4. The mortgagee shall be obliged to review the list of insurers and valuers acceptable for it at least once in a year.
  5. Persons related to the bank provided for by the Law of the Republic of Armenia "On banks and banking" shall be deemed as persons related to the mortgagee.

#### **Article 15. Protection of the person providing a guaranty**

1. Where a physical person has provided a guaranty for fulfilment of obligations by the mortgagor, the guaranty agreement shall contain at least the information the

mortgage contract has, or the person providing a guaranty shall be furnished with a copy of the mortgage contract.

2. The Central Bank shall have the right to establish by its regulatory legal acts the list of the information and the documents to be provided by the mortgagee to the physical person guarantors deemed as such under the mortgage contract, the format of such information, texts to be mandatorily used, standard versions and/or the procedure and the conditions for providing the information.
3. The mortgagee shall, at least three days before concluding the guaranty agreement, provide the agreement to the guarantor. The mortgagee shall submit to the guarantor for signature only the draft of the guarantee agreement that has been provided to the guarantor within the term prescribed by this part. Where an amendment has been made without knowledge of the guarantor to the draft guaranty agreement provided to the guarantor, the amended version of the guaranty agreement shall be also submitted to the guarantor at least three days prior to concluding the agreement.

**Article 16. Protection of mortgagors through judicial, arbitration process, as well as through the Financial System Mediator**

1. The rights of mortgagors prescribed by this Law and other regulatory legal acts shall be protected through judicial procedure, and in cases prescribed by law — under arbitration process, as well as through the Financial System Mediator.
2. Where the mortgagor and the mortgagee conclude an arbitration agreement in relation to the mortgage contract, the mortgagee shall be obliged to reveal to the mortgagor sufficient information on the rights and obligations of the parties.
3. For the purpose of protection of the rights of mortgagors, the Central Bank may establish in its regulatory legal acts minimum requirements for the information provided for by part 2 of this Article and/or standard forms.

4. The mortgagor shall not make the arbitration agreement a condition precedent for conclusion of a mortgage contract.

**Article 17. Fine as a measure applied against mortgagor**

*(title edited by HO-140-N of 24 March 2021)*

1. Where the mortgagee violates requirements of this Law or other legal acts adopted in compliance with this Law once within a period of 365 days the Central Bank may impose a fine in the amount of three hundred thousand to five hundred thousand Armenian drams.
2. Where the mortgagee violates requirements of this Law or other legal acts adopted in compliance with this Law twice within a period of 365 days the Central Bank may impose a fine in the amount of five hundred thousand to one million Armenian drams.
3. Where the mortgagee violates requirements of this Law or other legal acts adopted in compliance with this Law three or more times within a period of 365 days the Central Bank may impose a fine in the amount of one million to two million Armenian drams.
4. The fine shall be charged upon a court judgement based on the claim of the Central Bank, if the mortgagee disagrees on the imposition of the fine or the amount of the fine. The fine shall be charged in favour of the state budget of the Republic of Armenia
5. For the purposes of this Law, where each requirement of this Law or other legal acts adopted in compliance with this Law are violated several times, each violation shall be deemed as a separate violation.
6. When applying a fine as sanction within the scope of its competences, the Central Bank shall be guided by this Article in regard to violations of this Law or

other legal acts adopted in compliance with this Law. The Central Bank shall impose as sanction the fine defined in this Article in the procedure prescribed by the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia".

*(Article 17 edited by HO-140-N of 24 March 2021)*

*(Law [HO-140-N](#) of 24 March 2021 contains a transitional provision)*

### **Article 18. Obligations of the mortgagee towards the mortgagor**

1. Where the mortgagee violates any right of the mortgagor prescribed by this Law or other legal acts adopted in compliance thereof, including where the mortgagee has failed to include in the mortgage contract the minimum information (conditions) referred to in Article 7 of this Law, the mortgagor shall have the right to immediately apply to court or the Financial System Mediator and in cases provided for by law, to commercial arbitration. Where the fact of violation of the rights of the mortgagor who uses the services offered by the mortgagee is confirmed AMD 300 000 (three hundred thousand) shall be levied in favour of the mortgagor by the court judgement, award of the commercial arbitration or the decision of the Financial System Mediator, except for the cases when as of the day of applying to the court, the commercial arbitration or the Financial System Mediator:
  - (1) the mortgagee has undertaken actions necessary to restore the violated rights of the mortgagor; and
  - (2) the violation of the rights of the mortgagor that could be eliminated, has actually ceased to exist; and
  - (3) the mortgagor has not actually incurred real damage prescribed by the Civil Code of the Republic of Armenia as a result of violation of his or her rights,

and if such a damage has been incurred, it has been compensated by the mortgagee.

The right of the mortgagor provided for by this Article may not be interpreted as a provision restricting or excluding the right of mortgagor to claim compensation for damages.

Where it is impossible to eliminate the violations of the rights prescribed by this Law or legal acts adopted in compliance thereof, the existence of conditions prescribed by points 1 and 3 of part 1 of this Article shall be sufficient to apply the exemption provided for by this Article.

2. If the mortgagee fails to include in the mortgage contract the minimum information (conditions) referred to in Article 7 of this Law, the mortgagee shall be obliged — on own initiative or upon the request of the mortgagor — to bring the mortgage contract into conformity with the requirements of Article 7 of this Law within three working days following the day when the violation has been detected or the day of submission of the request by the mortgagor. All costs incurred with regard to bringing the mortgage contract into conformity with the requirements of Article 7 of this Law shall be borne by the mortgagee.

*(Article 18 edited by HO-472-N of 27 October 2020)*

*(Law [HO-472-N](#) of 27 October 2020 has a transitional provision)*

**Article 19. Implied consequences of a mortgage contract concluded not in compliance with requirements of law**

1. A mortgage contract shall not be recognised as invalid on the ground of failure to comply with the requirements of part 4 of Article 6 and/or Article 7 of this Law.

2. The requirements of points 1, 4, 5, 6, 9, 10, 12 and 14 of part 2 of Article 4 and points 1 and 3-7 of part 1 of Article 7 of this Law shall not be deemed as significant conditions for a mortgage contract and the mortgage contract may not be recognised as not concluded due to failure to include the information prescribed by these requirements in the mortgage contract.
3. The failure to include in the mortgage contract the information required by Articles referred to in part 2 of this Article shall be deemed as violation of the rights of the mortgagor and shall be a ground for imposing sanctions referred to in Articles 17 and 18 of this Law.

**Article 20. Supervision over observance of the requirements of this Law**

1. The Central Bank shall maintain supervision over observance of the requirements of this Law in the procedure prescribed by the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia

**Article 21. Final and transitional provisions**

1. This Law shall enter into force from the sixth month following its official promulgation.
2. This Law shall not apply to the mortgage contracts concluded prior to the entry into force of this Law, except for the following cases:
  - (1) where the parties have agreed to bring the mortgage contract into conformity with this Law; or
  - (2) upon the request of the mortgagor, where at least one of the requirements referred to in Article 7 of this Law is changed.

3. In the cases provided for by points 1 and 2 of part 2 of this Article, the entire mortgage contract shall be modified to incorporate the requirements of this Law.
4. For the purpose of parts 2 and 3 of this Article, conceding the rights of the mortgagee to another mortgagee enshrined in a mortgage contract concluded prior to the entry into force of this Law, shall not be deemed as a change in a condition of the mortgage contract.
5. The property referred to in points 1 and 2 of part 1 of Article 3 of this Law, considered as security for the loan provided based on mortgage contracts concluded prior to the entry into force of this Law, may become a subsequent pledge pursuant to the legislation effective as of the date of submission by the mortgagor of the offer to conclude a subsequent pledge agreement to the subsequent pledgee.
6. Provisions of part 2 of Article 10 of this Law shall apply to the contracts concluded prior to the entry into force of this Law in all cases of applying lower interest rate or more favourable conditions in regard to the contract, upon the consent of the mortgagor.

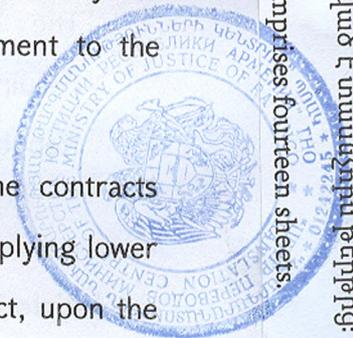
**President  
of the Republic of Armenia**

**S. Sargsyan**

13 November 2017

Yerevan

HO-182-N



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