

## Content

Title :	Mandatory Provisions To Be Included in Standard Form Contract for Home Loan <b>Ch</b>
Date :	2014.11.12
Legislative :	1. Promulgated on November 12, 2014
Content :	<p>1. Loan Amount and Disbursement</p> <p>The borrower borrows NT\$ _____ from the bank. The bank will disburse the loan proceeds in one of the manners below:</p> <p><input type="checkbox"/> (1) Pay into a _____ deposit account No. _____ opened by the borrower at the bank.</p> <p><input type="checkbox"/> (2) Pay into a _____ deposit account No. _____ at _____ Bank as designated by the borrower.</p> <p><input type="checkbox"/> (3) Disburse according to the disbursement instruction signed by buyer and seller of the house (see attached).</p> <p><input type="checkbox"/> (4) Disburse in a manner as agreed by the borrower and the bank.</p> <p>2. Term of Loan</p> <p>This loan shall have a term of _____ (years) _____ (months), starting on _____ (year) _____ (month) _____ (day) and ending on _____ (year) _____ (month) _____ (day).</p> <p>3. Repayment of Principal and Interest</p> <p>This loan will be repaid in the following manner as agreed (to be specified by the bank based on the type of loan product):</p> <p><input type="checkbox"/> (1) Starting from the actual date of disbursement, the borrower will make monthly amortized payment on principal and interest calculated by annuity method.</p> <p><input type="checkbox"/> (2) Starting from the actual date of disbursement, the borrower will make monthly fixed payment on principal and pay interest calculated on a monthly basis</p> <p><input type="checkbox"/> (3) Starting from the actual date of disbursement, the borrower will make monthly payment on interest in the first _____ years (months), and then make monthly amortized payment on principal and interest calculated by annuity method starting from the _____th year (_____th month).</p> <p><input type="checkbox"/> (4) Any other method as agreed by the borrower and The Bank:</p> <p>The bank should provide the borrower with the method of calculating loan principal and interest and repayment schedule, and inform the borrower of its website or other methods for inquiry.</p> <p>The bank offers the option of "no prepayment penalty" and "with prepayment penalty" and the borrower agrees to choose one of the following:</p> <p><input type="checkbox"/> "No prepayment penalty": the borrower agrees to repay loan principal and interest in accordance with Subparagraph _____, Paragraph 1 of Point 4 and has the option to repay the loan or close the account at any time without paying any penalty.</p>

☐ "With prepayment penalty": the borrower agrees to repay loan principal and interest in accordance with Subparagraph (4), Paragraph 1 of Point 4 and further agrees to pay a prepayment penalty, provided the borrower \_\_\_\_\_ (the bank should indicate whether it is "repays principal" or "repays all principal" or "closes the loan account") early in the first \_\_\_\_\_ years (or \_\_\_\_\_ months) of the loan from the date of loan disbursement (withdrawal). The aforementioned prepayment penalty will be charged in the following manner:

\_\_\_\_\_. (Note: Prepayment penalty should be charged in a scale-down manner in consideration of borrower's repayment period, loan balance and other factors). However when early payoff of loan is necessary due to the death or severe disability of the borrower as evidenced by relevant documents, the bank may not charge the borrower prepayment penalty.

#### 4. Method of Interest Calculation

Interest on the loan is calculated in the following manner (to be specified by the bank based on the type of loan product):

☐ (1) Calculated by the bank's prime rate (or another benchmark rates) at \_\_\_\_\_ % plus an annual rate of \_\_\_\_\_ % (totaling \_\_\_\_\_ % per annum); the interest rate will be adjusted subsequently as the bank's prime rate (or another benchmark rate) changes, and interest will be calculated at the adjusted annual rate starting from the first payment date after the adjustment.

☐ (2) Calculated by the bank's prime rate (or another benchmark rates) at \_\_\_\_\_ % plus an annual rate of \_\_\_\_\_ % (totaling \_\_\_\_\_ % per annum); the interest rate will be adjusted subsequently as the bank's prime rate (or another benchmark rate) changes, and interest will be calculated at the adjusted annual rate starting from the date of adjustment.

☐ (3) Calculated by a fixed rate of \_\_\_\_\_ % per annum.

☐ (4) Interest on loan with a prepayment penalty clause is calculated as follows: \_\_\_\_\_ (to be specified by the bank based on the type of loan product).

☐ (5) (Any other manner as agreed by the borrower and the bank).

The prime rate (or another benchmark rate) referred to in Paragraph 1 shall be based on \_\_\_\_\_ (the bank shall indicate whether the prime rate is the discount rate of the Central Bank, average interest rate of the time deposits of major banks, average interbank overnight call-loan rate, money market rate, or other representative and transparent market benchmark rate, plus a certain percentage, that has been publicly announced as required). Interests mentioned in the preceding two paragraphs shall be calculated as follows (to be specified by the bank based on the actual situation):

☐ (1) Interest that is calculated daily will accrue on the basis of 365 days a year (including leap years) where daily interest is the daily \_\_\_\_\_ (bank should indicate "highest", "average" or "ending") outstanding loan balance multiplied by annual interest rate and then divided by 365.

☐ (2) If interest is calculated monthly, monthly interest is the principal multiplied by annual interest rate and then divided by 12. Interest on the portion less than a month will be calculated daily, that is, interest will

accrue on the basis of 365 days a year (including leap years) where principal is multiplied by annual interest rate and the number of days elapsed in the partial month and then divided by 365.

#### 5. Notice of Interest Rate Change

When the bank adjusts its prime rate (or another benchmark rate), the bank shall notify the borrower of the adjusted prime rate (or another benchmark rate) within \_\_\_\_ days (no more than 15 days). If the bank fails to make such notification in a timely manner, the interest and default interest will be calculated at the originally agreed rate when interest rate is adjusted higher, and calculated at lower rate when interest rate is adjusted lower.

The bank shall post the announcement of interest rate change mentioned in the preceding paragraph at its business places and on its website, and in addition, notify the borrower by \_\_\_\_\_ as agreed by the parties (the agreed methods of notification include short message, in writing, by e-mail, by posting on passbook, on the printout of interest payment receipt, or on the online banking login page). If no such method of notice is agreed on, the bank should notify the borrower of interest rate change in writing. (There will be a time lag between the date of rate adjustment announcement and the actual date of passbook posting or notice receipt date).

When the bank adjusts the prime rate (or another benchmark rate), the borrower may ask the bank to provide the principal and interest repayment method and repayment schedule calculated based on the adjusted loan rate. Where interest is calculated and paid as agreed according to Subparagraph (5), Paragraph 1 of Point 4, the provisions of preceding three paragraphs shall apply when loan rate is adjusted.

#### 6. Default Interest and Penalty

Where the borrower is late in repaying the principal or paying the interest, the bank may charge penalty only if it calculates default interest on the amount of principal due during the late payment period at the original loan rate starting from the principal due date.

When the bank charges penalty according to the agreement in the preceding paragraph, it shall specify one of the methods below in the contract:

- ☐ 1. If payment is less than six months late, default penalty will be charged by billing period at the rate of 10% of the original loan rate; for the portion of payment over six months late, the penalty will be charged at the rate of 20% of the original loan rate. For each incidence of default, penalty may be charged only up for nine (9) consecutive billing periods.
- ☐ 2. A fixed-amount penalty will be charged for each billing period, and for each incidence of default, penalty may be charged only up for three (3) consecutive billing periods. (The bank may charge different fixed amounts of penalty for "different duration of default", but may not charge different fixed-amounts of penalty based on "monthly overdue amount in different brackets").

The bank may not charge penalty if it calculates default interest during the late payment period at a rate higher than the original loan rate. The bank shall specify its standards for charging interest during the late payment period in the contract and may charge only up for nine (9)

consecutive billing periods for each incidence of default, and calculate interest based on the original loan rate after the 10th billing period.

#### 7. Special Clause for Self-use Residential Loan

If a claim on self-use residential loan arises out of this contract, and the contract contains an acceleration clause (that is, when the borrower is late in one installment payment, the borrower automatically loses the benefit of the term and the entire balance of the loan is due), the bank may not invoke the acceleration clause to exercise its right to the collateral when the following conditions are met:

(1) On the day the borrower requests debt negotiation or mediation in accordance with Article 151 of the Consumer Debt Clearance Act, the borrower proposes at the same time a debt repayment plan in writing indicating that he or she is still willing to make installment payments according to the term of this contract.

(2) The conditions of the repayment plan in the preceding subparagraph are as follows:

- i. The principal, interest, penalties and relevant fees owed are to be amortized over the remaining term of the loan; and
- ii. Interest will be paid on the remaining principal owed based on the originally agreed loan rate; and

(3) The borrower has missed no more than two installment payments.

If it is apparently difficult for the borrower to perform the contract for the remaining term of the contract according to the originally agreed terms and conditions, the borrower may request an extension of the repayment period. If the bank determines after review that the borrower indeed has the aforementioned situation, the bank may, after obtaining the consent of the guarantor, extend the repayment period up to six (6) years. During the extended period, the borrower is still required to pay interest on principal owed based on the originally agreed loan rate.

The term "self-use residence" referred to in the first paragraph hereof means a building owned by the borrower and in which the borrower and his or her family live. If the borrower has two or more residences, self-use residence shall mean the principal residence. The term "claim on self-use residential loan" means a claim arising from the borrower acquiring a loan from the bank to obtain funds needed for building or purchasing a self-use residence or for its improvement, including funds needed for acquiring the land or the right to use the self-use residence, and using the self-use residence as security for the loan, and agreeing to pay back the loan in installments.

#### 8. Exercise of Offset Right

When the borrower fails to make amortized payment as agreed, or when the borrower's debt becomes due or is deemed due in accordance with the acceleration clause, the bank has the right to treat the deposits of the borrower and the guarantor at the bank and all of the borrower's claims over the bank as early payment to the bank and use such early payment to offset the borrower's debt to the bank under this contract. However when the borrower's deposits at the bank and the borrower's other claims over the bank are sufficient to pay off the borrower's debts under this

contract, the bank shall not exercise offset right against the guarantor. When the bank plans to carry out offset in accordance with the preceding paragraph, it shall notify the borrower and the guarantor of its intent in writing. Such notice shall contain information on cause for exercise of offset right, types of offset rights and amounts involved. the bank shall carry out offset in the following order:

(1) The borrower's claims over the bank will be offset first, and the guarantor's claims over the bank will be offset after the bank's action of compulsory enforcement against the borrower is ineffectual.

(2) Debts that are due will be offset first and debts that are not yet due will be offset later.

(3) When deposits are used for offset, deposits with lower interest rate will be offset first.

#### 9. Notice of Address Change

Where the borrower or the guarantor changes his or her residence or mailing address, or the bank changes its business place, the changing party shall immediately notify the other party in writing or in a manner as agreed by the parties.

#### 10. Use of Personal Information

Unless it is otherwise provided by law, the bank may gather, process and use the personal information of the borrower and the guarantor and their information on dealings with financial institutions only to the extent of serving the purpose of this contract.

The borrower and the guarantor:

☐ Disagree (if the borrower or the guarantor disagrees, the bank will not be able to provide this loan service).

☐ Agree.

(Check either one; if neither is checked, it is deemed that the borrower and the guarantor disagree).

The bank may provide the personal information of the borrower and the guarantor and information on their credit-related dealings with the bank to the Joint Credit Information Center (JCIC) and persons commissioned by the bank in compliance with applicable regulations to handle matters on the bank's behalf. However when the data and information of the borrower and the guarantor provided to the aforementioned entities under their consent contain error or change, the bank should take the initiative to make correction or supply additional information and ask the aforementioned institutions or units to do the same, and send the borrower or the guarantor a notice of the same.

If the information provided by the borrower or the guarantor to the bank is stolen, leaked, altered or otherwise infringed by institutions or persons other than the bank, the bank shall notify the borrower or the guarantor by an appropriate means as soon as possible, and if the borrower or the guarantor asks the bank to furnish the flow of relevant information, promptly provide the borrower or the guarantor with the list of institutions or persons that have access to such information.

#### 11. Outsourcing of Business Operations - General

The bank may, in accordance with applicable regulations set forth by the competent authorities, commission third parties (institutions) to handle the billing and payment operations, computer processing operation or other operations in connection with this contract.

Where the bank has outsourced its business operations according to the preceding paragraph, the bank shall urge and ensure that outsourced service providers will observe the confidentiality provisions set out in the Banking Act and other applicable regulations without disclosing relevant information to third parties.

When an outsourced service provider commissioned by the bank violates the Personal Information Protection Act that results in the personal information of the borrower or the guarantor being illegally gathered, processed, or used, or the rights of the borrower or the guarantor being otherwise infringed, the borrower or the guarantor may seek damages from both the bank and its outsourced service provider in accordance with the Civil Code, Personal Information Protection Act or other applicable regulations.

#### 12. Outsourcing of Business Operations - Obligation to Inform Outsourcing of Collection Operation

When the borrower is late in repaying principal or interest, the bank may outsource its debt collection operation and notify the borrower and the guarantor the same in writing before doing so. Such notice shall contain information on the name of outsourced collection service provider, collection amount, period of retention for tape-recorded collection record, and other relevant matters as required by applicable regulations.

The bank shall post the basic information of the outsourced debt collection service provider at its business places and on its website.

If the bank fails to make notice according to Paragraph 1 hereof or the outsourced service provider fails to perform the collection activities in accordance with applicable regulations, the bank shall be held jointly liable for damages incurred by the borrower or the guarantor thereof.

#### 13. Attachment of Security Interest

When the borrower or a third party provides the bank with a collateral to secure the loan, the security interest (mortgage) attached to the collateral shall be limited to the debt under this contract, unless it is otherwise consented in writing by the collateral provider as needs arise in the future (see attachments for letter of consent and suggested language for line of credit mortgage agreement).

(Note: This clause constitutes an agreement that the security interest attached to the collateral shall be limited to debt under this contract. If it becomes necessary for the borrower to borrow more money at a later date, a new mortgage needs to be created, which will result in additional fees and a delay in fund disbursement.)

#### 14. Advertisement

The bank shall ensure the veracity of its advertisements, and the bank's obligations to the borrower shall not be less than as stated in the advertisements. All advertisements shall be construed as part of this

contract.

#### 15. Delivery of Contract

This contract is executed in \_\_\_\_ counterparts, to be held each by the parties hereto, the guarantor and other related parties. If so requested or agreed by the guarantor and other related parties, the bank may deliver to them a copy of the contract noted with the wording "Identical to the Original" by the bank and affixed with the bank's contract seal.

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Attachments : Letter of Consent.doc  
Home Loan Disbursement Instruction.doc  
Suggested Language for Line of Credit Mortgage Agreement.doc

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Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System