

## Key Fact Statement (KFS) - Under Construction Property Home Loan – (Conventional)



This document reflects product-specific Terms and Conditions governing conventional Home Loan for Under Construction Property located within UAE and is in addition to Al Masraf (Bank) General Terms and Conditions for Customers.

The Key Facts Sheet highlights important information about conventional Home Loan such as the interest rate, installment amount and provides you with the total amount to be pay back over the life of the loan

### Eligibility

- UAE National or UAE Resident
- Minimum age 21 years old maximum up to 75 years (on case to case basis) at the time of maturity
- Min Salary AED 15,000 for salaried employee working in approved company with Bank
- Min length of service 6 months and confirmed employee

### Features & Benefits

- Financing available for Under Construction property
- Combination of Fixed and Variable Interest Rate
- Repayment up to 25 years

### Additional notes and Frequently Asked Questions

**1. Use of the property:**

During the Loan tenor, the property shall be used and occupied as a residence and for no other purposes without the written consent of the Bank.

**2. Down Payment:**

The Bank will evaluate the land / property from one of the approved listed evaluator with the Bank to determine the market value. The Loan will be based on the property market value and you will require to pay the applicable Down Payment. You hereby undertake to provide such proof of payment prior to the transfer of the property at the relevant regulatory department.

In buyout or resale cases, you must settle the difference amount between liability of the bank/seller and the approved Loan value.

**3. Monthly Installment:**

- a. You will pay Principle + Interest (as per Bank’s prevailing rate) to the Bank on monthly basis. After the Fixed Interest Rate, the Monthly Installment calculate on EIBOR + Bank’s Margin (Min Floor Rate). Based on the EIBOR revision period, the future installment may increase/ decrease from time to time.
- b. You are required to pay the Monthly Installment on due date to the Bank as per the repayment frequency.
- c. In case due to higher Interest rate, you are not able to make installment on due date to the Bank, you should visit the Branch or meet your Relationship Manager and explain the reason and rationale and place request for Bank’s review and approval to reschedule the installment if eligible.

**Example:**

Loan amount (Principal) : AED 2,000,000  
 Loan duration (Tenor) : 300 months  
 Minimum Interest Rate (Rate) : 3.75% per annum  
 Interest Rate Formula :  $Rate * (1 + Rate)^{Tenor} / ((1 + Rate)^{Tenor} - 1)$   
 Thus your Monthly Installment for Month 1 would be : AED 10,282.62/-

Principal Amount	Tenor	Interest Rate 3.75% per annum	Monthly Installment for 1 <sup>st</sup> month
2,000,000	300	$0.0031 * 2.550 / 1.5499$ <b>=0.00514 per month</b>	$2,000,000 * 0.00515$ <b>= AED 10,282.62</b>

**Note:**

After 1<sup>st</sup> installment, the Monthly Installment will be calculate based on the Principle outstanding amount.

If any past due is being created for any loan, then that particular amount will be pared overdue bucket and subsequently will be calculated based DPP overdue logic

**Warning: These figures are estimates/ examples only.**

**4. In case of Delay in Handover:**

In the event of delay in completing the project beyond the grace period (as stated in the Offer Letter or agreed with the Bank) from the date of completion of construction as per the Contractor’s Agreement.

- a. Bank will proceed with the property evaluation to check if the property is in useable form to start installment.
- b. Based on the evaluation report presented by Evaluator to the Bank, the Monthly Installment start date will be decided accordingly

**5. Fixed Interest Rate:**

The Fixed Interest rate is applicable for fixed tenor and during fixed tenor you will pay fixed Monthly Installment. After the expiry of fixed rate, the installment will be calculate based on the prevailing Variable Interest rate.

**6. Variable Interest Rate:**

The Variable Interest rate is indicative and subject to change in accordance with the terms of the Agreement. The Bank’s Base Rate is linked to EIBOR with the 3 months’ review frequencies due to which the installments may increase or decrease based on the prevailing Interest rate. However, the margin % remains fixed throughout the Tenor of the facility.

**7. Property Evaluation Fee**

You will require to pay the property evaluation fee to cover the cost of appraisal of the property done by one of the approved evaluator with the Bank. The evaluation fee may vary depending upon the location / Emirate, type and numbers of the Property.

**8. Maximum Loan Amount:**

The Maximum Loan Amount you can borrow with a Home Loan depends on your income, expenses, liabilities etc. Bank will considers all your expenses and liabilities to make sure you can make repayments on the Loan without placing yourself under financial stress

**9. Life Insurance:**

- a) You are required to choose the Life Insurance from one of the three approved Insurance provider selected by the Bank for the entire Loan Tenor and it will be assigned to Arab Bank for Investment Foreign Trade (Al Masraf).
- b) The Life Insurance should cover your Loan outstanding in the event of the death due to any reason, terminal illness and permanent total disability to mitigate the risk associated with the life.
- c) The Life Insurance premium calculated on the Loan outstanding amount i.e.  $\text{Monthly Premium} = \text{Loan outstanding amount} \times \text{Life Insurance rate} \%$
- d) The Life Insurance premium may not be fixed amount as it calculates on the Loan outstanding and paid on monthly basis to the Bank. The Bank will deduct this amount along with the Loan Monthly Installment from the Customer's account.
- e) The Life Insurance premium may increase or decrease during the Loan tenor based on the Insurance provider rate
- f) The Life Insurance coverage should be in place prior to acceptance of the offer and disbursement of Loan by the Bank.
- g) Non-payment of Life Insurance payments shall be consider as an event of default under the facilities.

**10. Property Insurance:**

- a) You are require to choose taking Property Insurance from one of the three approved Insurance provider selected by the Bank for the property for the entire Loan Tenor and it will be assigned to Arab Bank for Investment Foreign Trade (Al Masraf).
- b) The Property Insurance should cover the risk associated with the property i.e. fire and major maintenance including Total Loss and Partial Loss.
- c) The Property Insurance premium calculated on the property value i.e.  $\text{Annual Premium} = \text{Property Value} \times \text{Property Insurance rate} \%$
- d) The Property Insurance premium will be deduct on annually basis through direct debit or your bank account with Bank.
- e) The Property Insurance premium may increase or decrease during the Loan Tenor based on the Insurance provider rate
- f) The Property Insurance coverage should be in place prior to acceptance of the offer and disbursement of Loan by Bank.
- g) Non-payment of Property Insurance payments shall be consider as an event of default under the facilities.

**11. Property All Risk Policy:**

- a) This policy is applicable for under construction property only
- b) You should advise the Contractor to assign the same to Arab Bank for Investment and Foreign Trade (Al Masraf).
- c) The policy covers any damage incurred by or hindering the project including the project site and 3<sup>rd</sup> party due to the project, plus any damages caused by fire, theft, accident, flood, rain, deliberate vandalism or other relevant risks.
- d) The Insurance policy starts from the execution date of Mortgage Finance Agreement ("Agreement") and until Initial Hand-Over.
- e) You should obtain copies (which has to be attested from the insurance company) of the insurance policies for the project from Constructor and submit to Bank prior commencing of the work / upon renewal of each policy or also at any time upon the request of the Bank

**12. Property mortgaged to the Bank:**

The property will be mortgage to the Bank until the principal, accrued Interest, fees and charges fully paid to the Bank. The mortgage on property is a security on the Loan, which means you cannot sell the property / mortgage to third party if the customer cannot continue to make repayments.

All owners whose names are stated in the property ownership document should be an applicant for the Loan facility.

**Warning:**

**Installment not paid on time:**

You shall pay the monthly installment on due date and if you fails to pay the monthly installment your account will go into arrears. This may affect your credit rating, which may limit your ability to access financing in the future. Further, if you fail to pay three consecutive installments, the Agreement shall be terminated and the remaining installments shall become payable within a period of 15 days of receiving a written notice from the Bank, and the Bank shall have the right to take applicable legal action against you that includes the sale of mortgaged property, and therefore, you may lose your property.

**13. Home Loan Reschedule**

Customer must inform the Bank in n case your monthly income is reduced due to (Salary reduction from employer, allowances withdraw/ retire from employment / loss of employment /turning into a pensioner/ property rent where the partial installment was dependent on rent or for any other reason). Al Masraf will assist you to reschedule the existing Home Loan for applicable tenor to maintain your monthly expenses vs income.

**Warning:**

**Delay penalty:**

Bank is entitled to charge delay penalty fee (as per Bank's Schedule of Fees & Charges available on Almasraf.ae) from the due Monthly Installment after the lapse of the payment due date or Monthly Installment date on Loan as a commitment to donate, on monthly basis until all payments due or installments are paid.

**14. Modification of property:**

The Customer is not permitted to make any modifications, additions, improvements, substitutions or alterations to the Property without the prior written approval of the Bank. If approved by the Bank, such modifications shall be at the expense of the Customer.

**Warning:**

**Delay in completing the Project:**

In the event of a delay in completing the Project by Contractor, the Bank may impose the delay penalty on the Contractor. Such penalty shall be deducted from any sums payable by Bank to the Contractor.

The delay penalty shall be calculated from the date of scheduled completion, without any need for notice or legal action.  
Period (no of days) \* (1% of Project Cost or AED XXXX)/ Original Completion Period (No of Days)

**15. Payment to Contractor during the Construction period:**

The payment to Contractor will be paid in tranches according to the agreed stage is completed as per the plan. The tranche payment will be made against the "Progress Payment Certificate- PPC" signed by Contractor and Consultant and this should be approved by the Bank's evaluator.

In case any requirement is not met in the" stage completion report" by Bank's evaluator, the payment to Contractor may postponed till the required stage is completed or partial amount may release by the Bank.

**16. Retention Amount from Tranche Payment:**

The Bank will retain the Retention Amount as specified in the Agreement from each stage tranche payment which will be released upon final handover

**17. Interest during the Contraction Period:**

Interest will start accruing on Bank's Portion during the drawn down period & will be paid by you on monthly basis during the construction period

**18. Construction Period:**

Your Contractor to complete the construction within 2 years and it may extend on case to case basis up to 12 months in case of delay in completion

**19. Performance Bond:**

You are required to submit the Performance Bond equal to the amount stated in the Agreement from the Contractor to the Bank

The performance bond should be valid throughout the period of construction period and automatically renewal able up to the date falling three months from the Initial Hand-Over date or from any other date or for any other period agreed by the Contractor and Bank.

**20. Schedule of Fees:**

This Loan is governed by Schedule of Fees and Charges. In the event any of these fees are due to be paid, such fees should be paid by the customer

- Al Masraf publishes its Retail Banking Schedule of Fees & Charges in line with its commitment to a transparent Customer relationship ([Click here to refer to Retail Banking Schedule of Fees & Charges](#))
- Customers are strongly encouraged to write to us on [info@almasraf.ae](mailto:info@almasraf.ae) in case of need for more clarity on any fees charged to the account.

**21. Partial Settlement:**

The Bank will allow partial settlement during the Loan term and you will be required to pay the applicable fees as mentioned in the Schedule of Fees & Charges, which is published on Al Masraf website ([www.Almasraf.ae](http://www.Almasraf.ae)). You will have the following options

- a) Pay same Monthly Installment and reduce the tenor OR
- b) Decrease your Monthly Installment and maintain the same Tenor

**22. Deferment or Postponement**

Deferment is the delay or suspension of Monthly Installment. You are required to submit the request at our Branch and mentioned the reason for deferment and pay the applicable fee mentioned on our website ([www.almasraf.ae](http://www.almasraf.ae)). The Bank will assess your request based on the eligibility and policy and accordingly defer the installment as per your request

**Warning:**

**In the event of deferment, the Loan maturity period will be increased by the number of deferments availed by you during the Loan term.**

**23. Home Loan closure**

You can request to close the facility by submitting the request by visiting any of Al Masraf Branches and submit the Early Settlement Form. The applicable Early Settlement Fee ([you may visit www.almasraf.ae Schedule of Fees & Charges page](#)) will be charged on the Loan outstanding amount.

**24. Early Settlement Amount:**

The Early Settlement Amount is being calculated as follows:

- a. Outstanding of Principle amount
- b. Accrued and unpaid Variable amount
- c. Any amount representing the costs of insurance (including any insurance undertaken on behalf of the Customer & major Maintenance and Taxes incurred by the Bank during the relevant Tenor)
- d. Early settlement fee as per applicable Schedule of Fees & Charges of the Bank mentioned on [www.almasraf.ae](http://www.almasraf.ae)

**Example:**

Outstanding Principal Amount	:	AED 5,403,334.94
Accrued and unpaid Variable amount (Principle Interest)	:	AED 7,504.63
Property Insurance	:	AED – 847.90
Early Settlement Fee (“ESF”)	:	AED 10,000
VAT on ESF	:	AED 500
Early Settlement Amount	:	AED 5,420,491.67/-

