LAW
OF THE RUSSIAN FEDERATION
ON MORTGAGE (PLEDGE OF REAL
ESTATE)
NO. 102-FZ OF JULY 16, 1998

with the Amendments and Additions of November 9, 2001, February 11, December 24,
2002, February 5, June 29, November 2, December 30, 2004, December 4, 18, 2006, June

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Chapter I. Main Provisions

Article 1. Grounds For the Coming About of Mortgage and Its Regulation

1. Under an agreement on pledge of real estate (mortgage agreement) one party - the mortgagee, being a lender against an obligation secured by mortgage shall have the right to satisfy its pecuniary claims against the debtor of such obligation at the expense of the mortgaged property belonging to the other party - the mortgagor, having priority over other mortgagor's creditors, with the exemptions established by Federal Law.

   According to the Merchant Shipping Code of the Russian Federation No. 81-FZ of April 30, 1999, persons among whom a general average has been distributed may dispute the average statement in court within six months from the day of receipt of the average statement or the addendum to it.

A mortgagor may be either a debtor under an obligation secured by mortgage, or any other person who is not involved in such obligation (third party).

The property with respect to which a mortgage is established shall remain in the ownership and use of the mortgagor.

   Federal Law No. 18-FZ of February 11, 2002 amended Item 2 of Article 1 of this Federal Law

   See the previous text of the Item

2. Pledge of real estate executed in conformity with federal law in the event of circumstances mentioned in such law (hereinafter referred to as "mortgage in law"), shall be regulated by rules on the mortgage arising from mortgage agreement unless otherwise provided by the federal law.

3. General rules on pledge contained in the Civil Code of the Russian Federation shall be applied to a mortgage agreement unless other rules are established by the above Code or the present Federal Law.

4. Pledge of land plots, enterprises, buildings, structures, apartments and other real estate objects may arise only insofar as trade in them is permitted by federal laws.
Article 2. Obligation Secured by Mortgage

Mortgage may be established to secure a financial obligation under a credit agreement, loan agreement or any other financial obligation, including an obligation resulting from a purchase and sale, lease, contract or other agreement, or inflicting damages, unless otherwise is provided by federal law.

Obligations secured by Mortgage shall be accounted by the creditor and the debtor, if they are legal entities, in the procedure stipulated by the legislation of the Russian Federation on accounting.

Article 3. Claims Secured by Mortgage

1. A mortgage secures to the mortgagee repayment of the principal on a loan agreement or any other principal, an obligation in full or in part stipulated by the mortgage agreement.

A mortgage established to secure a credit agreement or loan agreement providing for payment of interest shall also secure to the creditor (lender) repayment of the interest for the use of the credit (borrowed funds) due to him:

1) in compensation of losses and/or as a penalty (fine, penal interest) for non-fulfillment, late or other improper fulfillment of an obligation secured by mortgage;

2) per cent charges for illegal use of somebody else's funds, as established by an obligation secured by mortgage or federal law;

3) in compensation of legal and other expenses caused by foreclosure against mortgaged property;

4) in compensation of expenses associated with realization of mortgaged property.

2. Unless otherwise follows from the mortgage agreement, the mortgage shall secure fulfillment of the mortgagee's claims in an amount existing at the time of their discharge at the expense of the mortgaged property.

3. In case the mortgage agreement stipulates a total fixed amount of the mortgagee's claims secured by the mortgage, the amount of the borrower's liabilities in the part exceeding the amount shall not be regarded as secured by the mortgage, apart from claims based on Subitems 3 and 4 of Item 1 of the present Article or Article 4 of the present Federal Law.
Article 4. Additional Expenses of the Mortgagee Secured by Mortgage

If in accordance with the terms of the mortgage agreement or out of necessity to ensure safekeeping of property mortgaged under this agreement, the mortgagee is forced to bear expenses to maintain it or/and guard it, or to repay the mortgagor's arrears in property taxes, charges and utility fees, such necessary outlays shall be reimbursed to the mortgagee at the expense of the mortgaged property.

Article 5. Property Which May Be the Subject of Mortgage

Federal Law No. 232-FZ of December 18, 2006 amended Item 1 of Article 5 of this Federal Law. The amendments shall enter into force from January 1, 2007

See the Item in the previous wording

1. A mortgage agreement may establish a mortgage of real estate listed in Item 1 of Article 130 of the Civil Code of the Russian Federation, the rights to which are registered in the procedure existing for state registration of real estate rights and transactions therewith, including:

   1) land plots, except for land plots listed in Article 63 of the present Federal Law;

   2) enterprises, buildings, structures and other real estate used in the course of business activity;

   3) residential houses, apartments and parts of residential houses and apartments consisting of one or several isolated rooms;

   4) summer cottage houses, garden cottages, garages and other structures for consumer use;

   5) aircraft, sea ships, inland vessels and space objects.

Buildings, including residential houses and other structures and facilities directly connected with land may be the subject of mortgage, provided that the rules fixed by Article 69 of the present Federal Law are observed.

Absence of the state registration of the right of property to land plots whose state ownership is not delimited shall not serve as an obstacle to mortgage of such land plots in compliance with Article 62.1 of this Federal Law.

2. The rules of the present Federal Law shall be applied with respect to the mortgage of unfinished construction of real estate being erected on a land plot in compliance with the provisions of Russian law, including buildings and
structures, provided that the rules stipulated by Article 69 of the present Federal Law are observed.

3. A thing which is a subject of mortgage shall be regarded as mortgaged complete with its accessories, unless otherwise follows from the mortgage agreement (Article 135 of the Civil Code of the Russian Federation).

4. A part of property which cannot be divided other than by impairing its main purpose (an indivisible thing) cannot be an independent subject of mortgage.

*Federal Law No. 324-FZ of December 4, 2007 amended Item 5 of Article 5 of this Federal Law. The amendments shall enter into force from January 1, 2008*

*See the Item in the previous wording*

5. Rules on mortgage of real estate shall consequently be applied to rights of a lessee under an agreement on lease of such property (lease rights), because the opposite is not stipulated by federal law and because this is not at variance with the nature of lease relations.

The rules for the mortgage of immovable property shall also be applied towards a pledge of the rights of claim of a participant in the share construction, stemming from a contract for participation in the share construction, which satisfies the demands of the Federal Law on the Participation in the Share Construction of Apartment Houses and of Other Objects of Immovable Property, and on the Introduction of Amendments into Certain Legislative Acts of the Russian Federation.

*Federal Law No. 216-FZ of December 30, 2004 amended Article 6 of this Federal Law*

*See the previous text of the Article*

**Article 6. The Right to Pledge Property Under a Mortgage Agreement**

1. Mortgage may be established with respect to any real estate mentioned in Article 5 of the present Federal Law which belongs to the mortgagor in conformity with the ownership right or right of economic management.

2. Mortgage of property withdrawn from circulation, mortgage of property against which foreclosure cannot be taken in accordance with federal law, and mortgage of property which is subject to compulsory privatization or which cannot be privatized in accordance with federal law, shall not be permitted.

3. If the consent or permission of another person or authority is required to alienate real estate which is the subject of mortgage then such consent or permission shall be required to mortgage such real estate.
Decisions on pledge of real estate owned by the state and which is not assigned in accordance with the right of economic management shall be taken by the Government of the Russian Federation or the government (administration) of the subject of the Russian Federation.

4. The lease right may be mortgaged subject to the consent of the lessor, unless otherwise is provided by federal law or by the lease agreement. In instances stipulated by Item 3 of Article 335 of the Civil Code of the Russian Federation consent of the owner of the leased property or consent of the person having the right of economic management shall also be required.

5. Pledge of real estate shall not release the mortgagor to the mortgage agreement from fulfillment of conditions upon which such person participated in the investment (commercial) tender, auction or other activities undertaken during the privatization of real estate, which is the subject of the present pledge.

6. The mortgage shall apply to all inalienable improvements of the object of mortgage, unless otherwise is envisaged under a contract or this federal law.

Article 7. Mortgage of Real Estate in Common Ownership

1. Real estate which is in common joint ownership (when the share of each owner in the property right is not defined) can be mortgaged under the mortgage agreement subject to the consent of all co-owners. The consent shall be given in writing, unless otherwise follows from federal law.

2. A participant in common shared ownership may mortgage his/her share in the right to common property without the consent of other co-owners of the property.

In the event of foreclosures by request of a mortgagor on his share during its sale, it shall be sold in the procedure established by Articles 250 and 255 of the Civil Code of the Russian Federation on priority right of purchase of other owners of the property and on procedures for foreclosure on a share in common property, with the exception of foreclosure on a share in common ownership of a residential house (Article 290 of the Civil Code of the Russian Federation) due to foreclosure on an apartment in this house.
Chapter II. Conclusion of a Mortgage Agreement

Article 8. General Rules on Conclusion of a Mortgage Agreement

A mortgage agreement shall be concluded in conformity with the general rules stipulated in the Civil Code of the Russian Federation on the conclusion of agreements and in the provisions of the present Federal Law.

Article 9. Contents of the Mortgage Agreement

1. The mortgage agreement shall indicate the subject of mortgage, its value, nature, size and term of fulfillment of the obligation secured by mortgage.

   *Federal Law No. 216-FZ of December 30, 2004 amended Item 2 of Article 9 of this Federal Law*

   See the previous text of the Item

2. The subject of mortgage shall be defined by giving its name and location and a description sufficient to identify the subject.

   The mortgage agreement shall state the right under which the property being the subject of mortgage belongs to the mortgagor and name of the body conducting state registration of rights to immovable property and transactions therewith (hereinafter referred to as the body conducting state registration of rights) which registered this mortgagor's right.

   If the subject of mortgage is the lease right held by the mortgagor, then the leased property shall be described in the mortgage agreement as if it were the subject of mortgage; the term of lease shall also be indicated.

3. The subject of mortgage shall be appraised in accordance with the legislation of the Russian Federation upon agreement of the mortgagor and the mortgagee (observing the provisions of Article 67 of the present Federal Law in the event of mortgage of a land plot); the appraised value shall be stated in the mortgage agreement in monetary form.

   *See Federal Law No. 135-FZ of July 29, 1998 on Valuation Activity in the Russian Federation*

   In the event of mortgage of state or municipal real estate its value shall be appraised in accordance with the requirements of the federal law or in the procedure stipulated therein.
In case of the pawn of the immovable property whose construction is not yet complete and which is in state or municipal ownership, this property shall be evaluated in accordance with its market cost.

4. The mortgage agreement shall name the obligation secured by mortgage, state its amount, the grounds for its origination and its term of execution. In case when this obligation is based on an agreement, parties to such an agreement, its date and place of its conclusion shall be stated. If the amount of obligation secured by mortgage is to be determined at a later date, the mortgage agreement shall indicate the procedure and other necessary conditions of its determination.

5. If the obligation secured by mortgage is to be fulfilled in parts, the mortgage agreement shall indicate the terms (frequency) of appropriate payments and the amount of installments or conditions which would help define this amount.

6. If rights of mortgage under Article 13 of the present Federal Law are to be certified by encumbrance, this shall be stated in the mortgage agreement except for the cases of issuance of a mortgage deed in the case of mortgage in law.

Article 10. State Registration of Agreement for Mortgage

1. An agreement for mortgage shall be made in writing and shall be subject to state registration.

An agreement that is lacking in any data specified in Article 9 of this federal law or that is violating the rules of Item 4 of Article 13 of this federal law shall not be subject to state registration as an agreement for mortgage.
Failure to comply with the rules of state registration of an agreement for mortgage shall make it invalid. Such agreement shall be deemed as null and void.

2. An agreement for mortgage shall be considered as made and shall take effect as soon as it has undergone state registration.

3. When an agreement for mortgage is included as part of a credit or other agreement providing for an obligation secured by mortgage, the form and state registration of that agreement shall be subject to requirements set for the agreement for mortgage.

4. When an agreement for mortgage provides that the rights of the mortgagee shall, in accordance with Article 13 of this Federal Law, be certified with a mortgage, then, along with that agreement, a mortgage shall be submitted to the body conducting state registration of rights. When conclusion of an appropriate agreement entails the beginning of mortgage by virtue of the law, in case when a mortgage is made, a respective agreement and mortgage shall be presented. The body conducting state registration of rights shall make a note on the mortgage regarding the date and place of the state registration of such contract, shall number and bind together sheets of the mortgage with a seal as is provided under Paragraph Two of Item 3 of Article 14 of this federal law.

If the contract serving as the basis for a mortgage bond states that starting from the date of issue of the mortgage bond to the mortgagee by the body responsible for the state registration of rights the contract of mortgage and the contract whose obligation is secured by means of mortgage are terminated all relations between the mortgagor, debtor and mortgagee shall be regulated by that mortgage bond.

5. The state registration of a contract of mortgage concluded to provide security for repayment of a credit or loan granted for repayment of a credit or loan that has been provided earlier for the purpose of acquiring or building a dwelling house or an apartment and the issuance of a mortgage bond, if this contract of mortgage includes a provision for the issuance thereof, may take place simultaneously with the repayment of the mortgage and annulment of the mortgage bond that has been issued as security for the credit or loan granted earlier, provided such mortgage bond is submitted to the body responsible for the state registration of rights.

Federal Law No. 18-FZ of February 11, 2002 amended Article 11 of this Federal Law

See the previous text of the Article
Article 11. The Emergence of Mortgage as an Encumbrance

Federal Law No. 127-FZ of November 2, 2004 amended Item 1 of Article 11 of the present Federal Law. The amendments shall enter into force as of January 1, 2005

See the previous text of the Item

1. The state registration of the mortgage deed shall be deemed a ground for making an entry on mortgage in the Comprehensive State Register of Rights to Immovable Property and Deals in It.

The state registration of a contract ensued by the emergence of a mortgage in law shall be deemed a ground for making an entry on the emergence of mortgage in law in the Comprehensive State Register of Rights to Immovable Property and Deals in It.

2. Mortgage, as an encumbrance on the property pledged under a mortgage deed, shall emerge at the time when the contract is concluded.

In the case of mortgage in law, mortgage, as an encumbrance of property, shall emerge at the time of state registration of the right of ownership to the property, except as otherwise required by the contract.

3. The mortgagee's rights (mortgage right) to property specified in the present Federal Law and a mortgage deed shall be deemed as emerged as of the time of the entry of mortgage in the Comprehensive State Register of Rights to Immovable Property and Deals in It, except as otherwise established by a federal law. If an obligation secured by a mortgage occurred after the entry on mortgage in the Comprehensive State Register of Rights to Immovable Property and Deals in It, the mortgagee's rights shall emerge as of the time of emergence of this obligation.

The mortgagee's rights (mortgage right) to mortgaged property shall not be subject to state registration.

Article 12. Notification of the Mortgagee of Third Parties' Rights to the Subject of Mortgage

Having concluded a mortgage agreement the mortgagor shall notify the mortgagee in writing of all existing rights of third parties to the subject of mortgage, which are known to him by the moment of state registration of the agreement (rights of mortgage, life tenure, lease, servitudes and other rights). Non-fulfillment of this obligation shall entitle the mortgagee to claim an early termination of the obligation secured by the mortgage or a revision of terms of the mortgage agreement.
Chapter III. Encumbrance

On mortgage securities, see Federal Law No. 152-FZ of November 11, 2003

Federal Law No. 264-FZ of December 22, 2008 amended Article 13 of this Federal Law. The amendments shall enter into force upon the expiry of one month after the official publication of the said Federal Law

See the Article in the previous wording

Article 13. The Main Provisions on Encumbrance

1. The mortgagee's rights to the obligation secured by mortgage and to the mortgage agreement may be certified by an encumbrance, because this is not at variance with the present Federal Law.

A mortgage deed may certify the rights of a mortgagee relating to a mortgage in law and to the obligation secured by this mortgage, except as otherwise established by the present Federal Law.

The mortgage bond certifying the rights of a mortgagee in a mortgage by operation of law and in respect of the obligation secured by this mortgage is subject to the provisions envisaged for a mortgage bond in a mortgage by operation of contract, unless otherwise established by the present Federal Law.

2. The mortgage deed is a registered security that certifies the following rights of its legal holder:

   a right to receive execution for mortgage-secured monetary obligations without the provision of another evidence of the existence of these obligations;

   the right of mortgage to the property encumbered by mortgage.

3. The debtor of an obligation secured by mortgage and the mortgagor shall be liable under an encumbrance.

4. Drawing-up and issuance of an encumbrance shall not be permitted if:

   1) the subject of mortgage is:

      - an enterprise as a property complex;

      - right to lease of property mentioned in the present Subitem.
2) the mortgage secures a financial obligation, the amount of which is not determined at the moment of conclusion of the agreement, and which does not contain terms permitting determination of this amount when necessary.

In cases stipulated by the present Item the terms on an encumbrance established in the mortgage agreement shall be null and void.

5. An encumbrance shall be drawn up by a mortgagor, and also by a debtor under an obligation secured by the mortgage, in case the mortgagor acts as a third person.

An encumbrance shall be issued to the initial mortgagee after state registration of the mortgage by the body conducting state registration of rights. A mortgage bond may be drawn up and handed out to the mortgagee at any time before the termination of the mortgage-secured obligation. If a mortgage bond is drawn up after the state registration of a mortgage to the body responsible for the state registration of rights a joint application of the mortgagee and the mortgagor shall be submitted as well as the mortgage bond which shall be handed out to the mortgagee within one day after the applicant's application to the body responsible for the state registration of rights.

Transfer of rights under an encumbrance and pledge of encumbrance shall be executed in the procedure stipulated by Articles 48 and 49 of the present Federal Law.

6. The debtor under an obligation secured with a mortgage, mortgager and lawful owner of a mortgage under an agreement for mortgage shall have the right to alter the terms and conditions of a mortgage that have been earlier defined.

7. The following is envisaged when the agreement mentioned in Item 6 of the present Article and Item 3 of Article 36 of the present Federal Law is being concluded, and a debt for the mortgage-secured obligation in such agreement is being assigned: either making amendments to the mortgage bond by means of attaching the original agreement thereto and reference being done by an official of the body responsible for the state registration of rights, in the text of the mortgage bond proper to the agreement as a document deemed an integral part of the mortgage bond, according to the rules of Part 2 of Article 15 of the present Federal Law or annulling the mortgage bond and simultaneously issuing a new mortgage bond drawn up with account being taken of the relevant changes.

The state registration of the agreement on amendment of the content of the mortgage bond with reference in the text of the mortgage bond proper to the agreement as a document deemed an integral part of the mortgage bond shall be completed as a transaction registration within one day after the applicant's application to the body responsible for the state registration of rights, with the original mortgage bond and the agreement on amendment of the content of the mortgage bond being shown.
An annotation in the mortgage bond on the registered agreement on amendment of the content of the mortgage bond with an indication of the date and number of its state registration shall be carried out by a state registrar, attested by his signature and sealed with the seal of the body responsible for the state registration of rights. Said actions shall be committed free of charge.

If a mortgage bond is annulled and a new mortgage bond is simultaneously issued the following shall be handed over to the body responsible for the state registration of rights together with an application for amendment to the entry in the Comprehensive State Register of Rights to Immovable Property and of Transactions in Such Property by the mortgagor and the mortgagee: the mortgage bond subject to annulment and the new mortgage bond which shall be given to the mortgagee in place of the mortgage bond annulled.

The annulled mortgage bond shall be stored in the archives of the body responsible for the state registration of rights until the time when the registration entry on the mortgage is cancelled.

If depositary record-keeping (the storage of mortgage bonds, the recording and assigning of rights to mortgage bonds) has been taking place the new mortgage bond shall contain an annotation on its depositary record-keeping together with reference to the name and location of the depositary which has been keeping record of the right to the annulled mortgage bond.

8. The mortgage bond may be handed over to a depositary for depositary record-keeping purposes. The depositary record-keeping in respect of mortgage bonds shall take place in depositaries being professional participants in the securities market that hold relevant licenses issued in the procedure established by Federal Law No. 39-FZ of April 22, 1996 on the Securities Market.

If depositary record-keeping is taking place in respect of the mortgage bond an annotation on depositary record-keeping shall be entered in as containing the name and location of the depositary in which such record-keeping is going to be performed. In relevant cases an annotation on depositary record-keeping may be made by the drawer of the mortgage bond when it is being drawn up or by the holder of the mortgage bond after it is issued by the body responsible for the state registration of rights. The annotation on depositary record-keeping for the mortgage bond having been completed, the holder of the mortgage bond may at any time hand over the mortgage bond to the depositary for record-keeping purposes. If the depositary is changed the holder of the mortgage bond shall enter an annotation on the new depositary in it with reference to the name and location thereof.
9. It shall be indicated in the annotation on depositary record-keeping in respect of the mortgage bond that the record-keeping is temporary or compulsory. In the event of temporary depositary record-keeping of the mortgage bond the holder thereof is entitled to demand at any time that the depositary terminate the storage of, and record-keeping for, the mortgage bond. In the event of compulsory depositary record-keeping of the mortgage bond it may be handed out by the depositary to the holder of the mortgage bond only to be transferred to another depositary, provided to a court, law-enforcement body or bailiff charged with proceedings in cases that have to do with immovable property items and/or the owners of rights to such items, and also to be handed over to the body responsible for the state registration of rights.

10. If depositary record-keeping is being carried out in respect of the mortgage bond the rights of the holder thereof shall be confirmed by an entry in a securities account in a depositary record-keeping system (hereinafter referred to as "entry in a securities account").

11. If depositary record-keeping is being carried out in respect of the mortgage bond the depositary shall make an entry on relevant instructions of the holder of the mortgage bond in the depositary record-keeping system in a securities account on the putting of the mortgage bond in trust, a mortgage or on another transaction involving the mortgage bond, and also shall make a special entry on an application of the holder of the mortgage bond to confer on the mortgagee a right to sell the mortgage bond upon the expiry of a certain term for the purpose of withholding the sum of the obligation secured by the mortgage thereof from the sum of proceeds. If the depositary record-keeping of the mortgage bond is terminated the depositary shall enter annotations in it on the encumbrances and on the transactions which have been effective in respect of this mortgage bond according to the entries made in the depositary record-keeping system in securities accounts as of the time when depositary record-keeping in the given depositary in respect of it is terminated.

12. If depositary record-keeping is being carried out in respect of the mortgage bond the assignment of rights to the mortgage bond and also the accomplishment of other transactions involving the mortgage bond may only take place by means of making relevant entries in the securities account.

13. The depositary is entitled to recruit another depositary to carry out its duty of storing and/or keeping record of mortgage bonds, if there is a provision to this effect in the depositary contract. In this case no additional annotations shall be entered in the mortgage bond. The depositary shall be accountable for the actions of the other depositary it has designated as if they were its own.

*Federal Law No. 264-FZ of December 22, 2008 amended Article 14 of this Federal Law. The amendments shall enter into force upon the expiry of one month after the official publication of the said Federal Law.*
Article 14. Contents of Encumbrance

1. Encumbrance as of the time of its issuance to the original mortgagee by the body conducting state registration of rights, is to contain:

1) the word "Zakladnaya" in the title of the document;

2) the name of the mortgagor, personal identity document details, or its name and the address of its principal place of business, if the mortgagor is a legal entity;

3) the name of the initial mortgagee, personal identity document details, or, if the mortgagee is a legal entity, the name and address of its principal place of business;

4) reference to a credit agreement or any other financial obligation secured by the mortgage, indicating the date and place of its conclusion, or ground for the origination of the obligation secured by the mortgage;

5) the name of the debtor under the obligation secured by mortgage (if different from the mortgagor), the details of the debtor's personal identity document, or, if the debtor is a legal entity, its name and the address of its principal place of business;

6) an indication of the amount of the obligation secured by mortgage, and the amount of interest if charged under this obligation, or a reference to terms that allow to calculate this amount and the interest rate, when required;

7) an indication of the amount of obligation secured by mortgage, and if this amount is to be paid in parts - an indication of the terms (frequency) of the relevant payments and either individual amounts of each of the latter or terms that allow to calculate these terms and amounts of payments (debt repayment schedule);

8) the name and description of the mortgaged property which is sufficient for its identification, and an indication of the location of such property;

9) the estimated value of the mortgaged property as confirmed by a statement of an appraiser;

10) a description of the mortgaged property right to the property which is the subject of mortgage, and the name of the agency which registered this right, the registration number, date and place of state registration; an exact description of the lease right and its term - if the aforesaid right is the subject of the mortgage in keeping with Subitem 8 of the present Item;
11) reference indicating that the property which is the subject of mortgage is either encumbered by the right of life tenure, lease, servitude or any other right, or is not encumbered by any of the third parties rights which are subject to state registration at the time of state registration of the mortgage;

12) the signature of the mortgagor and if the mortgagor is a third party, also the signature of the debtor under an obligation secured by mortgage;

13) information about state registration of mortgage stipulated by Item 2 of Article 22 of the present Federal Law;

14) date of issuance of the encumbrance to the Mortgagee and the date when the mortgage bond is handed out to its holder and if mortgage bond annulment has taken place and a new mortgage bond has been drawn up, including the date of annulment of the previous mortgage bond. If a mortgage deed is issued in the case of mortgage in law, the details specified in Subitem 10 of the present Item shall be included in the mortgage deed by the body conducting state registration of rights. The procedure for including these details in the mortgage deed is set out in Article 22 of the present Federal Law.

If a document is titled "Zakladnaya", but lacks any data listed in Subitems 1 to 14 of the present Item, it shall not be regarded as an encumbrance and shall not be issued to the initial mortgagee.

2. When a mortgage bond is being drawn up it may also include information and terms not envisaged by Item 1 of the present Article.

Specific mortgage bond terms may be defined by the model terms elaborated for mortgage bonds and available on an internet website and published in a periodical printed publication distributed in at least ten thousand copies. In this case, when a mortgage bond is being drawn up it shall contain reference to the source where terms have been published in place of such terms.

3. If there is no sufficient room on the mortgage bond proper, for instance for annotations on new holders and/or on partial discharge of the mortgage-secured obligation or for entering other necessary information both when the mortgage bond is being drawn up and after the issuance thereof, an additional sheet shall be attached thereto.

All sheets of the mortgage bond are deemed integral parts thereof. They shall be numbered, attached to each other, attested with the signature of an official and sealed with the seal of the body responsible for the state registration of rights. Separate sheets of the mortgage bond shall not be the subject matter of a transaction.
4. If the mortgage bond does not comply with the contract of mortgage or the contract whose obligation is secured by mortgage the content of the mortgage bond shall be deemed true, except for cases when the holder thereof knew or had to know about the discrepancy as of the time when the transaction was concluded.

The legal owner of an encumbrance shall have the right to demand elimination of such discrepancy by means of annulment of the encumbrance and simultaneous issuance of a new one, if such a claim was submitted immediately after the legal owner had learned of the discrepancy.

A compiler of an encumbrance shall be liable for losses incurred due to the aforementioned discrepancy and its elimination.

Article 15. Attachments to Encumbrance

Other documents defining the terms of mortgage, or required to exercise the mortgagee's rights under an encumbrance, may be attached to an encumbrance.

In case an encumbrance names documents attached thereto not accurately enough to identify them, and the encumbrance does not state that such documents constitute an integral part thereof, then such documents shall not be regarded mandatory for persons who acquire rights under the encumbrance as a result of its sale, pledge or in any other way.

Federal Law No. 264-FZ of December 22, 2008 amended Article 16 of this Federal Law. The amendments shall enter into force upon the expiry of one month after the official publication of the said Federal Law.

See the Article in the previous wording.

Article 16. Registration of Owners of Encumbrance

1. Any legal entity shall have the right to demand that the body conducting state registration of rights shall register it in the Consolidated State Register of Real Estate Rights and Transactions therewith as being the mortgagee, indicating his/her name and personal identity document; and if the mortgagee is a legal entity - its name and location.

2. Debtor of an obligation secured by mortgage who was notified in writing by the legal entity about registration of the latter in the Consolidated State Register of Real Estate Rights and Transactions therewith (with a properly certified extract from such register) and equally a notice in writing of the acquisition by such holder of the mortgage bond that has been delivered to a depositary for depositary record-keeping, with a statement of a securities account appropriately attested, shall execute interim payments with respect to said obligation without any demand to present the encumbrance every time. Such obligation of the debtor
shall terminate when the debtor is notified by this or any other legal owner of the encumbrance about the assignment of rights under the encumbrance.

3. The registration entry stating the legal owner of the encumbrance shall be made upon the presentation of the encumbrance within one day after the submission of an application to the body conducting state registration of rights. The entry shall be based on:

the transfer of the right under a mortgage deed and an endorsement executed on the mortgage deed in keeping with the present Federal Law if the person who made this endorsement is the legal owner of the encumbrance or the mortgagee of the encumbrance, under whose name a special mortgage endorsement was made, and who has sold the encumbrance at the end of a term established therein (Item 4 of Article 49);

documents confirming the transfer of rights under the encumbrance to other persons as a result of reorganization of a legal entity or by virtue of inheritance;

a court decision to recognize the applicant's rights to the mortgage bond.

If depositary record-keeping is being carried out in respect of the mortgage bond a registration entry on the holder of the mortgage bond shall be made on the basis of a statement of a securities account. The statement shall be attested by the signature of the empowered official who carries out the functions of the depositary's sole executive body or of another person entitled to act on behalf of the depositary under a power of attorney, and the seal of the depositary mentioned in the mortgage bond, without show of the relevant mortgage bond. This statement shall contain the details required for making an entry on the holder of the mortgage bond in the Comprehensive State Register of Rights to Immovable Property and of Transactions in Such Property.

Federal Law No. 264-FZ of December 22, 2008 amended Article 17 of this Federal Law. The amendments shall enter into force upon the expiry of one month after the official publication of the said Federal Law

See the Article in the previous wording

Article 17. Exercising Rights Under the Encumbrance and Fulfillment of the Obligation Secured by Mortgagee

1. While exercising his rights, the holder of the mortgage bond shall show the mortgage bond to the obligated person (debtor or mortgagor) in respect of which the relevant right is being exercised, if he so demands. The holder of the mortgage bond shall not show his mortgage bond if:

1) its was deposited with a notary when the mortgage bond was mortgaged;
2) the mortgage bond has been mortgaged and transferred to the pledgee of the mortgage bond;

3) an annotation has been entered in the mortgage bond on its depositary record-keeping before or after it was handed out, the obligated person has been notified accordingly and no notice of termination of such record-keeping has been received.

If depositary record-keeping is being carried out in respect of the mortgage bond the debtor is entitled to demand the following from the holder of the mortgage bond as confirmation of his rights: a securities account statement attested by the signature of the empowered person who carries out the functions of the depositary's sole executive body or another person who is entitled to act on behalf of the depositary under a power of attorney, and the seal of the depositary mentioned in the mortgage bond.

2. Upon complete fulfillment of an obligation secured by mortgage the mortgagee shall immediately hand over the mortgage bond to the mortgagor with an annotation on discharge of the obligation in full, or, if an obligation is fulfilled in installments, - to attest its partial performance in the way sufficient for the mortgagor and obvious for would-be holders of the mortgage deal, in particular, by means of attaching relevant financial documents or executing an entry on partial performance of the obligation on the mortgage deal.

3. The fact that the encumbrance is either kept by the mortgagee or contains no remarks or any other confirmation of partial execution of an obligation secured by the mortgage shall indicate, unless proven to the contrary, that this obligation or its respective part has not been fulfilled except for the case specified in Item 2 of Article 48 of the present Federal Law.

An indication may be made in the mortgage bond that a partial discharge of the obligation under the mortgage bond shall not be certified. The duty to prove the debtor's default on performance of the obligation in such case is vested in the creditor according to the civil legislation.

4. The debtor of an obligation secured by mortgage shall repay his/her debt in full or in part by means of proper fulfillment of his/her obligations under the encumbrance in accordance with the schedule of repayment of debt to the legal owner of the encumbrance or to a person authorized by the legal owner in writing to execute the rights under the encumbrance.

5. In case of transfer of an encumbrance to a notary's deposit in the event of pledge of the encumbrance, debtor of a secured obligation shall fulfill his/her obligation by repaying the amount of debt to the notary's deposit.
6. A person liable under an encumbrance shall have the right to reject the execution of rights under the encumbrance by its bearer, if:

1) a claim has been filed with a court to acknowledge nullity of assignment of rights to this mortgage bond or an application of consequences of nullity with regard to this transaction;

2) the provided encumbrance is null and void due to its loss by its legal owner and issuance of a duplicate of the encumbrance (Article 18) or due to an infringement of the procedure for issuance of an encumbrance or its duplicate, for which the persons liable under the encumbrance or its duplicate bear no liability.

The debtor, on the grounds specified in Item 2 of Article 48 of the present Federal Law, shall be deemed as having partially performed the obligation.

A person liable under the encumbrance shall have no right to make any objections to claims of the legal owner of an encumbrance in connection with the execution of rights thereunder, if these claims are not based on this encumbrance.

7. Possession of an encumbrance by any person liable under it or the body conducting state registration of rights shall constitute proof of fulfillment of an obligation secured by mortgage, unless otherwise follows from the present Federal Law. A person who comes into possession of an encumbrance, shall be liable to immediately inform thereof other persons listed above.

In case an encumbrance is nullified in keeping with the present Federal Law, then the agency which performed the state registration of the mortgage shall immediately nullify the encumbrance upon its receipt by stamping the word "nullified" on its front page or in any other manner which prevents its circulation, apart from physical destruction of the encumbrance.

Federal Law No. 264-FZ of December 22, 2008 amended Article 18 of this Federal Law. The amendments shall enter into force upon the expiry of one month after the official publication of the said Federal Law.

See the Article in the previous wording

Article 18. Restoration of Rights to the Mortgage Bond Lost

1. The rights to the mortgage bond lost shall be restored by the mortgagor; if the mortgagor is a third party, then the rights shall also be restored by the debtor of an obligation secured by mortgage on the basis of:

1) an application submitted to them by a person defined in the Consolidated State Register of Real Estate Rights and Transactions therewith as the mortgagee if details included in the register in compliance with Article 16 of the present
Federal Law make it possible to identify the legality of the rights deed being restored to the mortgage bond lost, or if depositary record-keeping is being carried out in respect of the mortgage bond, the person who is the holder of this mortgage bond according to entries in securities accounts;

2) a court decision based on results of a special consideration to establish facts of legal significance carried out in conformity with the procedural legislation of the Russian Federation;

3) applications filed with them by the person that has lost the mortgage bond and is not mentioned in the Comprehensive State Register of Rights to Immovable Property and of Transactions in Such Property as a mortgagee, if the legality of the person's rights can be established.

1.1. The reinstatement of rights to a mortgage bond for which depositary record is kept on the basis of a statement on the last holder of the mortgage bond issued by the relevant depositary with an indication of the fact that this mortgage bond has been lost.

2. The mortgagor and if the mortgagor is a third party, also the debtor of an obligation secured by mortgage, shall as soon as possible issue a duplicate of the encumbrance bearing the note "duplicate" and transfer this duplicate to the body conducting state registration of rights.

3. A duplicate of an encumbrance shall be issued the body conducting state registration of rights, by handing it over to the person who lost the encumbrance.

If depositary record-keeping is carried out in respect of the mortgage bond the person who is the holder of the mortgage bond according to entries in securities accounts shall be deemed the person who has lost the mortgage bond.

4. A duplicate of an encumbrance must fully correspond to the lost encumbrance.

The compiler of the duplicate of the encumbrance shall be liable for losses incurred due to the lack of correspondence between the duplicate and the lost encumbrance. Persons liable under the encumbrance shall have no right to prevent the legal owner of the duplicate of the encumbrance from execution of rights thereunder reasoning from such lack of correspondence, if said persons are responsible for it.
Chapter IV. State Registration of Mortgage


Federal Law No. 216-FZ of December 30, 2004 amended Item 1 of Article 19 of this Federal Law

See the previous text of the Item

1. The mortgage shall be subject to state registration in the Consolidated State Register of Real Estate Rights and Transactions therewith in the procedure established by the Federal Law on State Registration of Real Estate Rights and Transactions with Real Estate.

2. State registration of Mortgage shall be executed at the location of the property which is the subject of mortgage.

Federal Law No. 264-FZ of December 22, 2008 amended Article 20 of this Federal Law. The amendments shall enter into force upon the expiry of one month after the official publication of the said Federal Law

See the Article in the previous wording

Article 20. Procedure For State Registration of Mortgage

See Instructions on the Procedure for the State Registration of a Mortgage of Immovables, approved by Order of the Ministry of Justice of the Russian Federation No. 213 of June 15, 2006

1. State registration of mortgage originating by virtue of an agreement for mortgage shall be effected on the basis of a joint statement of the mortgager and mortgagee. The state registration of mortgage originating by virtue of a duly notarized agreement for mortgage shall be effected on the basis of a statement made by the mortgager or the owner of the mortgage.

The following shall be filed for the purposes of state registration of a mortgage emerging by the virtue of a contract of mortgage:

1) a contract of mortgage and a copy thereof;

2) the documents mentioned as appendices in the contract of mortgage;

3) a document acknowledging that payment has been made of the state duty;
4) the other documents required for the state registration of the mortgage in keeping with the legislation of the Russian Federation on the state registration of rights to immovable property and deals in it.

2. The mortgage in law shall be subject to state registration. The state registration of a mortgage in law shall be accomplished without the filing of a separate application and shall be free of state duty.

The state registration of a mortgage by virtue of law shall be accomplished concurrently with the state registration of the ownership of the person whose rights are charged with the mortgage, if not otherwise established by federal law. The rights of the mortgagee in the case of a mortgage in law may be certified by a mortgage deed.

When a mortgage is undergoing state registration information on the mortgagee shall be entered in the Comprehensive State Register of Rights to Immovable Property and of Transactions in Such Property in accordance with the contract from which the obligation secured by the mortgage has arisen. In this case, it is prohibited to demand the applicant to submit other documents and information concerning the mortgagee.

2.1. The state registration of the mortgage by force of the law with respect to living premises acquired with the use of accumulations for the housing provision for servicemen in conformity with Federal Law No. 117-FZ of August 20, 2004 on the Accumulation-Mortgage System of Housing Provision for Servicemen (hereinafter referred to as the Federal Law on the Accumulation-Mortgage System of Housing Provision for Servicemen), shall be effected with the formalisation as a pledge holder the federal executive power body, providing for the functioning of the accumulation-mortgage system of the housing provision for servicemen.

3. If the rights of a mortgagee are certified by a mortgage deed the following shall also be filed with the body conducting state registration of rights together with the documents specified in Item 1 of the present Article:

a mortgage bond whose content is to meet the requirements set out in Item 1 of Article 14 of the present Federal Law, except for the requirement governing the date of issue of the mortgage bond, information on the state registration of mortgage and the information envisaged by Subitem 10 of Item 1 of Article 14 of the present Federal Law if the mortgage bond is issued in a mortgage by operation of law, and a copy thereof;

4. The state registration of a contract of assignment of rights in respect of the principal obligation or a contract of mortgage shall be carried out on a joint application of the former mortgagee and the new mortgagee. The following shall be submitted for the purposes of state registration of a contract of assignment of rights:
1) the contract of assignment of rights;

2) a document confirming that the state duty has been paid;

3) the contract of mortgage that has been registered earlier.

4.1. An application for state registration of hypothecation of immovable property that secure the claims constituting a mortgage coverage a share in the right of common ownership to which shall be certified with a mortgage certificate of participation shall be filed by the manager of the mortgage coverage.

For purposes of state registration of hypothecation of immovable property that secure the claims constituting the said mortgage coverage, in addition to other documents required under Federal Law No. 152-FZ of November 11, 2003 on Mortgage Securities and Federal Law No. 122-FZ of July 21, 1997 on the State registration of Rights to Immovable property and Transactions Therewith, it is also necessary to present:

1) a license to manage the mortgage coverage stipulated under Article 17 of Federal Law No. 152-FZ of November 11, 2003 on Mortgage Securities (either an original or a duly notarized copy);

2) the rules of entrusted management of mortgage coverage.

4.2. The entry of information in the Comprehensive State Register of Rights to Immovable Property and of Transactions in Such Property about the new mortgagee as the consequence of assignment of the mortgage bond shall be carried out in the observance of the provisions of Article 16 of the present Federal Law on an application of the new holder of the mortgage bond. The following shall be filed for the purposes of entering such information: the mortgage bond with an annotation on the assignment of rights to the mortgage bonds to the new holder of the mortgage bond and a document confirming that the state duty has been paid.

5. The mortgage shall be registered within one month of the receipt of documents required for its registration the body conducting state registration of rights, and the mortgage of dwelling premises within five business days after said day.

6. State registration of mortgage is performed by making a mortgage registration entry in the Consolidated State Register of Real Estate Rights and Transactions therewith.
The date of the state registration of the mortgage shall be the date of the mortgage registration entry made in the Consolidated State Register of Real Estate Rights. Registration entries shall be made in the Consolidated State Register of Real Estate Rights by order of priority based on dates of receipt of all necessary documents by an agency keeping the state registration of rights.

7. For third parties the mortgage shall be considered originated at the moment of its state registration.

**Article 21. Refusal and Postponement of State Registration of the Mortgage**

*Federal Law No. 264-FZ of December 22, 2008 amended Item 1 of Article 21 of this Federal Law. The amendments shall enter into force upon the expiry of one month after the official publication of the said Federal Law*

*See the Item in the previous wording*

1. State Registration of the Mortgage can be refused in cases stipulated by the Federal Law on the State Registration of Real Estate Rights and Transactions with Real Estate, except as otherwise established by the present Federal Law.

The suspension and/or termination of the state registration of a mortgage on an application of a party to the transaction of acquisition of dwelling premises is prohibited.

*Federal Law No. 216-FZ of December 30, 2004 amended Item 2 of Article 21 of this Federal Law*

*See the previous text of the Item*

2. State Registration of the Mortgage may be postponed for no longer than one month for the following reasons:

1) in case of failure to present any of the documents listed in Items 2 and 3 of Article 20 of the present Federal Law to the body conducting state registration of rights;

2) if the mortgage agreement, encumbrance and Appendices thereto fail to conform to the requirements of the legislation of the Russian Federation;

3) if authenticity of presented documents is to be verified.

*Federal Law No. 216-FZ of December 30, 2004 amended Item 3 of Article 21 of this Federal Law*
3. When making a decision to postpone state registration of the mortgage the body conducting state registration of rights shall request the missing documents or demand that all discovered discrepancies are corrected.

State registration of mortgage shall be denied if requirements fixed by said agency are not fulfilled within the term established thereby.

4. State registration of the mortgage shall be postponed in case of a dispute related to the rights to the mortgaged real estate or a dispute related to foreclosure against such property, until the dispute is settled by court.

5. Motivated refusal of state registration of the mortgage shall be sent to the mortgagor within the term established for state registration of such mortgage.

*Federal Law* No. 264-FZ of December 22, 2008 amended Article 22 of this Federal Law. The amendments shall enter into force upon the expiry of one month after the official publication of the said Federal Law.

*See the Article in the previous wording*

**Article 22. Registration Entry and Certification of State Registration of Mortgage**

1. The mortgage registration entry in the Consolidated State Register of Real Estate Rights and Transactions therewith shall contain details of the initial mortgagee, the subject of mortgage and the amount of the obligation secured by such mortgage. If the mortgage agreement states that the mortgagee's rights are to be certified by an encumbrance, this should also be included in the mortgage registration entry.

These data shall be included in the mortgage registration entry on the basis of a mortgage agreement or a contract causing the emergence of a mortgage by operation of law.

1.1. In case of state registration of hypothecation of immovable property securing the claims constituting a mortgage coverage a share in the right of common ownership to which shall be certified with a mortgage certificate of participation, it is necessary to indicate in the Uniform state register of rights to immovable property and transactions therewith that the mortgagees of the said immovable property are the owners of mortgage certificates of participation the data on whom shall be established on the basis of data of personal accounts available in the register of owners of mortgage certificates of participation and those of accounts of the depot of owners of mortgage certificates of participation and also to state individual designation identifying mortgage certificates of participation in the
interests of whose owners entrusted management is carried out of such mortgage coverage.

In case the mortgage coverage a share in the right of common ownership to which is certified with a mortgage certificate of participation, includes a claim certified with a mortgage, the state registration of hypothecation of immovable property securing the given claim shall be effected at the request of the manager of the mortgage coverage.

2. State registration of the mortgage shall be certified by a note made in the mortgage agreement and in the case of state registration of the mortgage in law, on the document being the basis for the emergence of the mortgagor's right of ownership to the property encumbered with the mortgage. The endorsement shall include the full name the body conducting state registration of rights, the date and place of state registration and the mortgage registration number. These data shall be certified by the signature of an official and attested by the seal of the body conducting state registration of rights.

When immovable property is acquired through the use of credit resources of a bank or of another credit organisation or target loan funds from another legal entity it is sufficient to indicate the following in the contract serving as ground for the emergence of the mortgagor's right of ownership to the property charged with mortgage: the title of the contract or the ground from which the mortgage-secured monetary obligation has come into being, the date and place when/where the contract was concluded or the date of occurrence of the ground for the mortgage-secured monetary obligation.

3. If the rights of a mortgagee are certified by a mortgage deed the body conducting state registration of rights shall make sure the following information is available in the mortgage deed as of the time of the issuance thereof: the information envisaged in Item 2 of the present article and also Subitems 10 and 13 of Item 1 of Article 14 of the present Federal Law.

4. The body conducting state registration of rights shall leave a copy of the contract of mortgage in its archives and in the case of state registration of a mortgage in law, a copy of the document serving as the basis for the emergence of the mortgagor's right of ownership to the property encumbered by the mortgage. If the mortgagee's rights are certified by a mortgage deed the body that has accomplished the state registration of the mortgage shall also leave a copy of the mortgage deed, and attachments thereto in its archives.
Article 23. Corrections, Changes, and Amendments of the Mortgage Registration Entry

1. Corrections of technical errors in the mortgage registration entry shall be permitted subject to the mortgagor's or mortgagee's application and shall inform the other party of the correction, provided such a correction shall not bring any damage to third parties or infringe upon their legal interests.

_Federal Law No. 216-FZ of December 30, 2004 amended Item 2 of Article 23 of this Federal Law_

See the previous text of the Item

2. Changes and amendments to the mortgage registration entry shall be made subject to an agreement between the mortgagor and mortgagee concluded with regard to the introduction of changes and amendments to the terms of the mortgage agreement.

Changes and amendments to the mortgage registration entry shall not be permitted if the mortgagee's rights are certified by an encumbrance, except for the case stipulated in Item 6, Article 13 of the present Federal Law.

Where, after the state registration of a mortgage in law the mortgagor and the mortgagee have concluded a contract of mortgage the registration entry on the mortgage made earlier shall be amended accordingly.

_Federal Law No. 306-FZ of December 30, 2008 supplemented Article 23 of this Federal Law with Item 3. The Item shall be applied to the legal relationships arising from the end point of the bankruptcy proceedings initiated before the date of entering into force of the said Federal Law_

3. Amendments and addenda to be made in the mortgage registration entry in connection with approval by court of an amicable agreement in respect of a mortgage-secured obligation shall be made on the basis of an appropriate judicial act which endorses the amicable agreement and of an application of the pledger and the pledge holder.

_Federal Law No. 127-FZ of November 2, 2004 reworded Article 24 of this Federal Law_

See the previous text of the Article

Article 24. The State Duty

For the state registration of a mortgage contract and mortgage as a limitation (charging) of rights to immovable property, and also for making appropriate entries in the Comprehensive State Register of Rights to Immovable Property and Transactions
Therewith and for the issuance of documents on the state registration the state duty shall be paid only once for all mentioned actions in the amount and in the procedure that are established by the laws of the Russian Federation on taxes and fees.

*Federal Law No. 264-FZ of December 22, 2008 reworded Article 25 of this Federal Law. The new wording of the Article shall enter into force upon the expiry of one month after the official publication of the said Federal Law*

*See the Article in the previous wording*

**Article 25. Cancelling a Registration Entry Concerning a Mortgage**

1. Except as otherwise envisaged by a federal law, a registration entry concerning a mortgage shall be cancelled within three business days after the body responsible for the state registration of rights receives an application of the holder of the mortgage bond, a joint application of the mortgagor and the mortgagee, an application of the mortgagor with the simultaneous show of the mortgage bond bearing an annotation of the holder of the mortgage bond on the discharge of the mortgage-secured obligation in full, or a decision of a court, arbitration court or umpire on termination of the mortgage.

   No other documents shall be provided for the purposes of cancelling a registration entry concerning the mortgage.

2. An annotation in the mortgage bond on the discharge of the mortgage-secured obligation in full shall include words about such discharge of the obligation and the date of the discharge thereof, it shall also be attested with the signature of the holder of the mortgage bond and sealed with the seal thereof if the holder of the mortgage bond is a legal entity.

3. When a registration entry on a mortgage is being cancelled in connection with termination of the mortgage the mortgage bond shall be annulled in the procedure established by the present Federal Law. The mortgage bond annulled shall be handed over to the person that has been earlier obligated under it, if the person so requests.

*Federal Law No. 306-FZ of December 30, 2008 supplemented this Federal Law with Article 25.1. The Article shall be applied to the legal relationships arising from the end point of the bankruptcy proceedings initiated before the date of entering into force of the said Federal Law*
Article 25.1. Cancellation of the Mortgage Registration Entry in the Event of Liquidation of the Pledge Holder Which Is a Legal Entity

In the event of liquidation of the pledge holder which is a legal entity, the mortgage registration entry shall be cancelled on the basis of the pledger's application and an extract from the comprehensive state register of legal entities which proves making an entry on liquidation of the given legal entity to the said register.

*Federal Law No. 216-FZ of December 30, 2004 amended Article 26 of this Federal Law*

*See the previous text of the Article*

Article 26. Public Nature of State Registration of Mortgage

State registration of the mortgage shall be a public procedure. Any person shall have the right to obtain from the body conducting state registration of rights information as to whether there is a valid mortgage registration entry on the relevant property, and to obtain a certified extract from the mortgage registration entry.

A copy of an encumbrance kept by the body conducting state registration of rights shall not be regarded as a public document.

*Federal Law No. 216-FZ of December 30, 2004 amended Article 27 of this Federal Law*

*See the previous text of the Article*

Article 27. Appeal Against Actions Related to the State Registration of Mortgage

In accordance with the procedural legislation of the Russian Federation, an interested party may appeal to a court of law, or arbitration court against actions carried out the body conducting state registration of rights, including its refusal to register mortgage or evasion by a mortgage registration agency from registration or issuance of an encumbrance to the initial mortgagee, refusal to introduce corrections to the mortgage registration entry, nullification of the mortgage registration entry in violation of established rules, registration of a fictitious mortgage, denial of execution of rights stipulated by Article 26 of the present Federal Law, and other actions of a mortgage registration agency which are at variance with the federal law.

*Federal Law No. 216-FZ of December 30, 2004 amended Article 28 of this Federal Law*

*See the previous text of the Article*
Article 28. Responsibility of Mortgage Registration Agency

In conformity with the Civil Code of the Russian Federation and Article 31 of Federal Law No. 22-FZ of July 21, 1997 on the State Registration of Rights to Immovable Property and Transactions Therewith the agency conducting state registration of rights which registered or was to register the mortgage must compensate for an interested party's losses resulting from illegal actions (inaction) of the former, including:

1) groundless refusal to register the mortgage;

2) groundless refusal to correct the mortgage registration entry;

3) delay in state registration of the mortgage in excess of the established term;

4) state registration of the mortgage in violation of the requirements of the legislation of the Russian Federation on contents of the mortgage registration entry; or with other mistakes;

5) non-observance of the requirements of Item 3 of Article 22 of the present Federal Law;

6) evasion of issuance of an encumbrance (or duplicate of an encumbrance);

7) illegal nullification of the mortgage registration entry;

8) groundless refusal to perform actions stipulated in Article 26 of the present Federal Law.
Chapter V. Protection of Property Mortgaged
Under Mortgage Agreement

Article 29. Use of Mortgaged Property by the Mortgagor

1. The mortgagor shall retain the right to use the property mortgaged under a mortgage agreement. The mortgagor shall have the right to use such property according to its designation.

Any terms of a mortgage agreement limiting this right of the mortgagor shall be null and void.

Unless otherwise provided by the agreement, the mortgagor shall not allow deterioration of the property or depreciation of its value in excess of its normal wear and tear.

2. The mortgagor shall have the right to any goods, products or profits derived from property mortgaged under a mortgage agreement. The mortgagee shall not acquire any rights to said goods, products or profits unless otherwise provided by the mortgage agreement.

Article 30. Maintenance and Repair of Mortgaged Property

Federal Law No. 264-FZ of December 22, 2008 amended Item 1 of Article 30 of this Federal Law. The amendments shall enter into force upon the expiry of one month after the official publication of the said Federal Law

See the Item in the previous wording

1. Unless otherwise provided by mortgage agreement, the mortgagor shall be obliged to preserve property mortgaged under a mortgage agreement, in a proper state and to bear expenses for its maintenance until termination of the mortgage agreement.

2. Unless otherwise provided by a mortgage agreement, the mortgagor shall perform current and capital repairs of mortgaged property within the terms stipulated by the federal law, other legal acts of the Russian Federation (Item 3 and 4 of Article 3 of the Civil Code of the Russian Federation), or in the procedure established by these legal acts, and if no such terms are established - within reasonable timeframe.

Evidently, Article 343 of the Civil Code of the Russian Federation is meant by the above paragraph
Article 31. Insurance of property that has been mortgaged and liability of the borrower for non-repayment of credit

1. Insurance of property mortgaged under the mortgage agreement shall be performed in conformity with conditions of such agreement. A contract of insurance of the property mortgaged under a contract of mortgage shall be concluded for the benefit of the mortgagee (beneficiary), except as otherwise stipulated in the contract of mortgage or in the contract causing the emergence of the mortgage by operation of law or in the mortgage bond.

2. If the mortgage agreement does not contain any other conditions of insurance of the mortgaged property, then the mortgagor shall at his own expense insure mortgaged property against loss or damage in full, or, if the full value of the property exceeds the amount of the obligation secured by mortgage - for an amount no less than the obligation.

3. The mortgagee shall have the right to demand fulfillment of the secured obligation out of the insurance payments of the loss or damage of mortgaged property regardless of who is named as the beneficiary of the insurance contract for the property. This claim shall have priority over all other creditors of the mortgagor and persons who are beneficiaries of the insurance contract for the property with the exceptions established by federal law.

The mortgagee shall lose the right to discharge his claim at the expense of the insurance payment if loss or damage to the property occurred through his fault.
4. The borrower who is the mortgagor under an agreement for mortgage, shall have the right to insure the risk of his or her liability to the creditor in case of non-fulfillment or inadequate fulfillment of obligations associated with the repayment of the credit.

A contract of insurance of the liability of the borrower shall be made in favor of the creditor who is the mortgagee (beneficiary). In transferring the rights of the creditor in the obligation secured with hypothecation of immovable property, the rights of the beneficiary under a contract of insurance shall be assigned to a new creditor in the full amount.

The amount of insurance under a contract of insurance of liability of the borrower shall not exceed 20 per cent of the value of property that has been mortgaged. The insurance premium shall be paid as a lump-sum amount within the time frame fixed in the contract of insurance. Should the insured repudiates a contract of insurance, the insurance premium paid to the insurer shall not be paid back.

The insured accident under a contract of insurance of liability of the borrower shall include a fact of making a claim by the creditor upon the borrower to repay the credit given the insufficiency with the creditor of monetary resources that have been earned from realization of the mortgaged property and distributed according to the procedure prescribed under the legislation on mortgage.

Article 32. Measures to Ensure Protection of Mortgaged Property From Loss or Damage

In order to ensure protection of mortgaged property, including protection from encroachments of third parties, from fire and natural calamities, the mortgagor must take measures laid down in the federal law, other acts of the Russian Federation (Items 3 and 4 of Article 3 of the Civil Code of the Russian Federation) and the mortgage agreement, and, if such measures are not provided for - the standard measures that meet regular requirements.

Evidently, Article 343 of the Civil Code of the Russian Federation is meant by the above paragraph

In the event of a real threat of loss or damage to mortgaged property the mortgagor shall notify the mortgagee if the mortgagee is known to him.

Article 33. Protection of Mortgaged Property From Third Party Encroachments

1. In the event that other parties make claims against the mortgagor on admittance of their ownership right or other rights with respect to the mortgaged property, its seizure (demand and obtainment) or encumbrance, or any other claims, satisfaction of which may result in depreciation or deterioration of this property, the mortgagor must promptly inform the mortgagee of the matter, if the
mortgagee is known to him. In case a legal suit is filed against the mortgagor by a
court of law, arbitration court or ad-hoc arbitration court (hereinafter referred to
as the court), he must invite the mortgagee to take part in the proceedings.

2. In cases stated in Item 1 of the present Article, the mortgagor shall take
appropriate measures to protect his rights to the mortgaged property listed in
Article 12 of the Civil Code of the Russian Federation. If the mortgagor refused to
defend his rights to the mortgaged property or does not defend them, the
mortgagee shall have the right to use these means of protection on behalf of the
mortgagor without any special power of attorney and to demand that the
mortgagor compensate his necessary expenses borne in this connection.

3. In the event that the property mortgaged under the mortgage agreement has come
into illegal possession of third parties, the mortgagee shall have the right, acting
in his own name, to demand and obtain this property from the illegal possession
in keeping with Articles 301 through 303 of the Civil Code of the Russian
Federation for its subsequent transfer into possession of the mortgagor.

Article 34. The Mortgagee's Right to Inspect Mortgaged Property

The mortgagee shall have the right to conduct physical inspections and document
inspections of property mortgaged under a mortgage agreement and maintenance
conditions of such property. This right of the mortgagee shall be applicable for the case
when the mortgaged property is temporarily transferred into the possession of third
parties.

An inspection carried out by the mortgagee shall not groundlessly hinder the use of the
mortgaged property by the mortgagor or any other parties possessing this property.

Article 35. Rights of the Mortgagee in Case No Adequate Safety Is Ensured for
Mortgaged Property

In case of a gross violation by the mortgagor of the regulations for the use of the
mortgaged property (Item 1 of Article 29), its maintenance or repairs (Article 30), and his
obligation to provide for its safety (Article 32), when such violation creates a threat of
loss or damage to mortgaged property, and in case of violation of obligations to insure
mortgaged property (Items 1 and 2 of Article 31) or groundless refusal to permit an
inspection of mortgaged property by the mortgagee (Article 34), the mortgagee shall have
the right to demand early fulfillment of the obligation secured by the mortgage.

In case such demand is refused or not fulfilled within a term laid down in the agreement
or if such term is not envisaged, then within one month the mortgagee shall have the right
to foreclose on property mortgaged under the mortgage agreement.
Article 36. Implications of Loss or Damage of Mortgaged Property

1. The mortgagor shall bear the risk of accidental loss or damage of mortgaged property, unless otherwise follows from the mortgage agreement.

2. If mortgaged property is lost or damaged to the extent of considerable loss of its mortgage value for reasons beyond the control of the mortgagee, the mortgagee shall have the right to demand the early fulfillment of an obligation secured by the mortgage, including the use of insurance proceeds for its repayment in keeping with Item 3 of Article 31 of the present Federal Law.

3. The mortgagee may not exercise the rights stipulated in Item 2 of the present Article if a written agreement was concluded between him and the mortgagor on the restoration or replacement of the lost or damaged property, and the mortgagor duly observes conditions of such agreement.
Chapter VI. Transfer of Rights to Mortgaged Property to Other Parties and Encumbrance of This Property by Rights of the Other Parties

Article 37. Alienation of Mortgaged Property

1. The mortgagor may alienate to another person property mortgaged under a mortgage agreement, by its sale, gift, or exchange, or use it as his contribution to property of a business partnership or society, or as a participatory share fee to a production cooperative, or in any other way only upon consent of the mortgagee, unless otherwise is provided by the mortgage agreement.

2. The mortgagor may alienate the property mortgaged under an encumbrance only if such right is stipulated in the encumbrance and in conformity with the terms and conditions established therein.

3. The mortgagor shall have the right to devise the mortgaged property. Any terms of a mortgage agreement or any other agreement limiting this right of the mortgagor shall be null and void.

Article 38. Retainment of Mortgage Upon Transfer of Rights to Mortgaged Property to Another Party

Federal Law No. 216-FZ of December 30, 2004 amended Item 1 of Article 38 of this Federal Law

See the previous text of the Item

1. The person, coming into ownership rights to property mortgaged under a mortgage agreement by way of alienation or universal legal succession, including reorganization of a legal entity or by virtue of inheritance, shall take the place of the mortgagor and assume all obligations of the latter resulting from the mortgage agreement, including those improperly fulfilled by the initial mortgagor.

The new mortgagor may be relieved from any of such obligations only subject to an agreement with the mortgagee. Such an agreement shall not be legally binding upon subsequent holders of the encumbrance, unless its state registration has been made or if the rules stipulated in Article 15 of the present Federal Law are not observed.

2. If property mortgaged under a mortgage agreement was transferred to several parties on the grounds listed in Item 1 of the present Article, then each legal successor to the initial mortgagor shall be responsible for non-fulfillment of the secured obligation in proportion to the share of mortgaged property which was
transferred to his possession. If the subject of mortgage is indivisible, or due to other reasons is in joint ownership of legal successors to the mortgagor, then such legal successors shall become collective mortgagors.

3. The mortgage of property under the mortgage agreement shall remain effective regardless of possible infringements of rules established for the transfer of this property to other parties.

Article 39. Implications of Violation of the Procedures for Alienation of Mortgaged Property

In case mortgaged property is alienated in violation of the procedure established by Items 1 and 2 of Article 37 of the present Federal Law, the mortgagee shall have the right to take one of the following actions at his discretion:

- demand that the transaction on alienation of mortgaged property is declared null and void, with the legal implications stipulated by Article 167 of the Civil Code of the Russian Federation;
- demand early fulfillment of a secured obligation and to foreclose on the mortgaged property irrespective of its owner.

In the latter case, if proved that the person acquiring the mortgaged property at the moment of acquisition knew or must have known that the property was alienated in violation of the rules laid down by Article 37 of the present Federal Law, such person shall be liable for non-fulfillment of the secured obligation to the extent of the value of said property jointly with the debtor of such obligation. If the mortgaged property is alienated in violation of said rules by the mortgagor other than the debtor under the secured obligation, the liability shall be borne jointly with the debtor by both the person acquiring the property and the previous mortgagor.

Article 40. Encumbrance of Mortgaged Property per Rights of Other Parties

1. Unless otherwise follows from federal law or a mortgage agreement, without the consent of the mortgagee, the mortgagor shall have the right to lease the property mortgaged under the mortgage agreement, transfer it into temporary use on a gratuitous basis, and upon an agreement with another party grant to the latter the right of limited use of this property (servitude), provided that:

   1) the term of lease does not exceed the term of an obligation secured by the mortgage;

   2) the property is transferred to the use for purposes in line with the designation of the property.
Federal Law No. 306-FZ of December 30, 2008 reworded Item 2 of Article 40 of this Federal Law. The new wording shall be applied to the legal relationships arising from the end point of the bankruptcy proceedings initiated before the date of entering into force of the said Federal Law

See the Item in the previous wording

2. In the event of levying execution by the pledge holder upon pledged property for the reasons provided for by federal laws or a contract of mortgage, all the tenant rights and other rights as to the use of this property granted by the pledger to third persons without consent of the pledge holder after making the contract of mortgage shall be terminated from the time of entry into legal force of the court decision on levying execution upon the property or, if the pledger's rights are satisfied without judicial recourse (in an extrajudicial procedure), from the time of making by the person, which has become the sales winner, a contract of purchase and sale with the sales organizer, provided that the pledged property is realized through sales, or from the time of the state registration of the pledge holder's ownership in respect of the mortgage, if the pledged property is acquired by the pledge holder for ownership.

3. The mortgagor may transfer the mortgaged property into the use of third parties for a term exceeding the term of an obligation secured by mortgage or for purposes other than its established designation only subject to the consent of the mortgagee. Under these conditions the transfer of the right to use the property mortgaged under an encumbrance shall be permitted only if the above right of the mortgagor is stipulated in the encumbrance.

4. The transfer of mortgaged property by the mortgagor into use of the other party shall not relieve the former from executing his responsibilities under the mortgage agreement, unless otherwise follows from the agreement.

5. Consequent pledge of property mortgaged under the mortgage agreement shall be regulated by rules stipulated in Chapter VII of the present Federal Law.

Article 41. Implications of Forced Alienation of Mortgaged Property by the State

1. If the mortgagor's property right to the mortgaged property is terminated on the grounds and in the procedure established by the federal law by way of its alienation (redemption) for state or municipal use, its requisition or nationalization, and the mortgagor is provided with another property or an appropriate compensation, the mortgage shall cover the replacement property or the mortgagee shall obtain a pre-emptive right to demand settlement of his claims from proceeds due to the mortgagor.
The mortgagee whose interests cannot be fully protected by the rights stipulated in Item 1 of the present Article shall have the right to demand early fulfillment of an obligation secured by the mortgage and to foreclose on the property provided to the mortgagor in compensation for the alienated property.

2. In cases when the mortgaged property is alienated by the state from the mortgagor as a sanction for a committed crime or other violation of the law (confiscation), the mortgage shall remain effective, and the rules of Article 38 of the present Federal Law shall be applied. However, the mortgagee whose interests cannot be protected in full by applying these rules shall have the right to demand the acceleration of a secured obligation and foreclosure on the confiscated property.

*In accordance with part 2 of Article 354 of the Civil Code of the Russian Federation, in cases when property being the subject of the pledge is alienated from the mortgagor as a sanction for a committed crime or some other offence, the pledge is terminated with regard to this property.*

**Article 42. Implication of Vindication of Mortgaged Property**

In cases when mortgaged property is alienated from the mortgagor in the procedure established by federal law for the reason that another party is the true owner of this mortgaged property (vindication) then mortgage of such property shall terminate. The mortgagee upon the effectuation of a relevant court decision shall have the right to accelerate an obligation secured by the mortgage.
Chapter VII. Overlying Mortgage

Article 43. The Concept of Overlying Mortgage and Conditions Under Which It Is Permitted

Federal Law No. 216-FZ of December 30, 2004 amended Item 1 of Article 43 of this Federal Law

See the previous text of the Item

1. The property mortgaged under a mortgage agreement to secure an obligation (underlying mortgage) may be used to secure another obligation of the same or another debtor to the same or another mortgagee (overlying mortgage).

   The order of priority of mortgagees shall be based on the data of the Consolidated State Register of Real Estate Rights and Transactions therewith on the date of origination of the mortgage determined in accordance with the rules stipulated in Items 5 and 6 of the present Federal Law.

2. An overlying mortgage is permitted unless prohibited by underlying mortgage agreements valid by the time of concluding the overlying mortgage agreement.

   If the underlying mortgage agreement stipulates conditions for an overlying agreement, the latter mortgage agreement must be concluded under the aforementioned terms and conditions.

3. An overlying mortgage agreement concluded despite the prohibition or in violation of conditions stipulated by an underlying mortgage agreement, may be declared null and void by a court decision on a claim made by the underlying mortgagee irrespective of whether the overlying mortgagee knew of such prohibition.

   In case no overlying mortgage was prohibited though an overlying mortgage agreement was concluded in violation of conditions stipulated by an underlying mortgage agreement, then the mortgagee's claims under the overlying agreement shall be satisfied to the extent such satisfaction is provided for by terms and conditions of the underlying mortgage agreement.

4. Rules stipulated in Items 2 and 3 of the present Article shall not be applicable if the underlying and overlying mortgages are originated by the same parties.

5. No overlying mortgage agreement shall be permitted which provides for drawing up and issuance of an encumbrance.
Article 44. Notification of Mortgagees on Underlying and Overlying Mortgages. Alteration of Underlying Mortgage Agreement

1. The mortgagor must notify each overlying mortgagee prior to the conclusion of an agreement with him, about all already existing mortgages on the mortgaged property stipulated in Item 1 of Article 9 of the present Federal Law.

Failure to meet this requirement by the mortgagor shall give the overlying mortgagee the right to demand the cancellation of the agreement and compensation of incurred losses, unless it is proved that he could have obtained necessary information on the underlying mortgages from their state registration data in keeping with Article 26 of the present Federal Law.

2. Upon conclusion of an overlying mortgage agreement, the overlying mortgagee shall promptly inform the underlying mortgagees, and, upon their request, furnish them the data on the overlying mortgage stipulated in Item 1 of Article 9 of the present Federal Law.

Federal Law No. 18-FZ of February 11, 2002 amended Item 3 of Article 44 of this Federal Law

See the previous text of the Item

3. After conclusion of the overlying mortgage agreement any introduction of changes into an underlying mortgage agreement resulting in satisfaction of new claims of an underlying mortgagee or in an increase of existing claims secured under this agreement (Article 3) shall be permitted only subject to the consent of the overlying mortgagee, except as otherwise required by the preceding contract of mortgage.

4. The rules established in the present Article shall not be applicable if the underlying and overlying mortgage agreements were concluded by the same parties.

Article 45. State Registration of the Overlying Mortgage

State Registration of the overlying mortgage shall be carried out in compliance with the rules stipulated in Chapter IV of the present Federal Law.

The overlying mortgage agreement shall contain notes on all registration entries for all underlying mortgages of the same property.

A note on the overlying mortgage shall be made in the registration entries for all underlying mortgages of the same property.
Article 46. Satisfaction of Claims of Underlying and Overlying Mortgagees

1. Claims of overlying mortgagees shall be satisfied at the expense of mortgaged property observing the underlying mortgagee's preemptive rights to satisfaction of his claims.

Federal Law No. 18-FZ of February 11, 2002 amended Item 2 of Article 46 of this Federal Law

See the previous text of the Item

2. In case of foreclosure taken against mortgaged property to discharge an obligation secured by the overlying mortgage, the recourse may also cover the performance of the obligation secured by the mortgage, before its due date, and an obligation secured by the underlying mortgages with an unexpired maturity term. If the mortgagee to the underlying mortgage agreement did not use this right, then the foreclosed property secured by the overlying mortgage, and encumbered with the underlying mortgage shall be transferred to its acquirer.

3. In case of foreclosure taken against mortgaged property to discharge an obligation secured by the underlying mortgage, the recourse may also cover obligations secured by the overlying mortgage with an unexpired maturity term. Acceleration of the secured obligation under the overlying mortgage shall not be permissible if an obligation secured by the underlying mortgage can be discharged at the expense of a part of the mortgaged property.

4. Prior to foreclosure on mortgaged property for obligations secured by the underlying and overlying mortgages, the mortgagee wishing to initiate the procedure must send a written notice thereof to the mortgagee under another mortgage agreement on the same property.

5. Rules contained in the present Article shall not be applicable if the underlying and overlying mortgages are originated by the same parties. In this case the claims under each of the mortgages shall be settled in the order of priority the matching maturity dates of respective obligations, unless otherwise is provided by the federal law or an agreement between the parties.
Chapter VIII. Assignment of Rights Under Mortgage Agreement.
Transfer and Pledge of Encumbrance

Federal Law No. 18-FZ of February 11, 2002 amended Article 47 of this Federal Law

See the previous text of the Article

Article 47. Assignment of Rights under a Contract of Mortgage or an Obligation Secured by a Mortgage

1. The mortgagee shall be entitled, except as otherwise required by the contract, to assign his rights to another person:
   1) under a contract of mortgage;
   2) relating to an obligation secured by a mortgage (basic obligation).

2. The person to which rights under a contract of mortgage have been assigned shall take the place of the former mortgagee under this contract.

   Unless otherwise proven, the assignment of rights under a contract of mortgage also means the assuagement of the rights relating to the obligation secured by the mortgage (basic obligation).

3. Unless the contract otherwise requires, the person to which the rights relating to an obligation (basic obligation) have been assigned shall also obtain the rights securing the performance of the obligation.

   Such a person shall take the place of the former mortgagee under the contract of mortgage.

   Under Item 1 of Article 389 of the Civil Code of the Russian Federation the assignment of the rights relating to an obligation secured by a mortgage (basic obligation) shall be effected in the form used for concluding the obligation secured by the mortgage (basic obligation).

4. The relations between the person to whom rights are assigned and the mortgagee shall be subject to the norms of Articles 382, 384 - 386, 388 and 390 of the Civil Code of the Russian Federation concerning the transfer of rights of a creditor by means of claim assignment.
5. Assignment of rights under mortgage agreement or an obligation secured by mortgage, rights of which are certified by an encumbrance, shall not be permitted. Such transaction, if executed shall be deemed null and void.

Federal Law No. 264-FZ of December 22, 2008 reworded Article 48 of this Federal Law. The new wording of the Article shall enter into force upon the expiry of one month after the official publication of the said Federal Law

See the Article in the previous wording

Article 48. Assigning Rights to a Mortgage Bond

1. When rights to a mortgage bond are being assigned a transaction shall be concluded in a simple written form.

When rights to the mortgage bond are being assigned the person that is assigning a right shall enter an annotation in the mortgage bond about the new holder, except as otherwise established by the present Federal Law.

The annotation shall contain a correct and full indication of the name of the person to which rights to the mortgage bond are assigned.

The annotation shall be signed by the mortgagee mentioned in the mortgage bond, or if this annotation is not first, by the holder of the mortgage bond mentioned in the previous annotation. If the annotation is made by a person acting under a power of attorney information shall be provided on the date of issue and number of the power of attorney, and if the power of attorney has been attested by a notary, information about the notary who has attested the power of attorney shall be provided.

If depositary record-keeping is being carried out in respect of the mortgage bond the transfer of rights shall be effectuated by means of making a relevant entry in a securities account. Rights to the mortgage bond shall be acquired by the acquirer as of the time when a receipt entry is made in the acquirer's securities account which is deemed a sufficient evidence of the acquirer's having rights to the mortgage bond. In this case, no annotation shall be entered in the mortgage bond concerning its new holder.

2. The assignment of rights to a mortgage bond to another person means the transfer per se to that person of all the rights certified by it in their entirety.

The holder of the mortgage bond has all the rights certified by it, including mortgagee's rights and creditor's rights in respect of the obligation secured by the mortgage, irrespective of the rights of the initial mortgagee and of the previous holders of the mortgage bond.
Except as otherwise stipulated in the transaction mentioned in Item 1 of the present Article when rights to a mortgage bond with partial discharge of the mortgage-secured obligation (principal obligation) are being assigned the obligations which would had been discharged before the time of assignment of rights to the mortgage bond shall be deemed discharged.

3. The holder of a mortgage bond shall be deemed legal if his/her rights to the mortgage bond are based on the last annotation on the mortgage bond made by the previous holder, except as otherwise established by the present Item. He/she shall not be deemed the legal holder of the mortgage bond if it is proven that the mortgage bond has left the possession of any of the persons that have made endorsement entries beyond their will as the result of theft or in another criminal manner, about which the new holder of the mortgage bond knew or had to know while acquiring it.

If depositary record-keeping is being carried out in respect of the mortgage bond the holder of the mortgage bond is deemed legal if his/her rights to the mortgage bond are certified by an entry in a securities account. If depositary record-keeping in respect of the mortgage bond is terminated the depositary shall enter an annotation in the mortgage bond on the holder of the mortgage bond which is deemed holder according to an entry in a securities account as of the time when the depositary receives instructions of the holder of the mortgage bond on termination of record-keeping in respect of this mortgage bond in this depositary.

4. Annotations in a mortgage which are prohibiting its further assignment to other persons are deemed null and void.

5. If according to Item 2 of Article 313 of the Civil Code of the Russian Federation a third person has discharged the mortgage-secured obligation for the debtor in full that person is entitled to claim that the mortgage bond be assigned to the person. If the mortgagee refuses to assign the mortgage bond the third person may claim in a court that the mortgage bond be assigned to the person.

Federal Law No. 18-FZ of February 11, 2002 amended Article 49 of this Federal Law

See the previous text of the Article

Article 49. Pledge of Encumbrance

1. An encumbrance may be pledged under a contract of pledge of a mortgage deed with or without its being transferred to another party (mortgagee of an encumbrance) to secure an obligation under a credit agreement or any other obligation between this party and a mortgagee initially named in the encumbrance or its lawful owner (a mortgage mortgagee).
2. In the case of pledge of a mortgage deed without its being transferred to the pledgee the pledge procedure of debt collection in respect of the mortgage deed pledged shall be regulated by Article 349 of the Civil Code of the Russian Federation.

3. In the case of conclusion of a contract of pledge of a mortgage deed with its being transferred to the pledgee, the parties are entitled to make provision for:

1) the collection of the property pledged in the manner established by Article 349 of the Civil Code of the Russian Federation;

2) the transfer of rights under the mortgage deed on the terms and with the consequences stipulated by Article 48 of the present Federal Law;

3) the execution of a special pledge annotation on the mortgage deed by the pledgee whereby the pledgee acquires a right to sell the mortgage deed upon the expiration of a specific term for the purpose of withholding from the proceeds the sum of the obligation secured by the pledge thereof.

Federal Law No. 264-FZ of December 22, 2008 amended Item 4 of Article 49 of this Federal Law. The amendments shall enter into force upon the expiry of one month after the official publication of the said Federal Law.

See the Item in the previous wording.

4. The mortgage mortgagee may make a special endorsement in the encumbrance giving the mortgagee of the encumbrance the right to sell it at the end of an established term in order to keep the receipts for settlement of an obligation secured by the encumbrance.

If depositary record-keeping is being carried out in respect of the mortgage bond a special mortgage endorsement entry shall be reflected by the depositary in the form of a special entry in the securities account on instructions of the holder of the mortgage bond.

If the obligation secured by the mortgage of the mortgage bond has been discharged in full the special mortgage endorsement entry shall be cancelled by means of the mortgagee's annotation about the cancellation of such entry or if depositary record-keeping is being carried out in respect of the mortgage bond by means of the depositary's entry in a securities account about the cancellation as based on instructions of the mortgagee of the mortgage bond.
Chapter IX. Foreclosure on Property Mortgaged Under the Mortgage Agreement

Federal Law No. 306-FZ of December 30, 2008 amended Article 50 of this Federal Law. The amendments shall be applied to the legal relationships arising from the end point of the bankruptcy proceedings initiated before the date of entering into force of the said Federal Law.

See the Article in the previous wording.

Article 50. Grounds For Foreclosing on Mortgaged Property

1. The mortgagee shall have the right to foreclose on property mortgaged under a mortgage agreement to settle at the expense of this property his claims (listed in Article 3 and 4 of the present Federal Law) resulting from non-fulfillment or improper fulfillment of an obligation secured by mortgage, in particular, for non-payment or late repayment of a full amount of debt, or some part of it, unless is otherwise provided by the agreement.

In case of a discrepancy between terms of mortgage agreement and conditions of an obligation secured by mortgage related to the claims which may be satisfied by foreclosing on the mortgaged property, priority shall be given to the terms of the mortgage agreement.

2. Abrogated.

See the text of Item 2 of Article 50.

3. With respect to claims arising from non-fulfillment or improper fulfillment of an obligation secured by mortgage, foreclosure on the mortgaged property may not be made if in accordance with the terms of such an obligation and applicable federal laws and other legal acts of the Russian Federation (Items 3 and 4 of Article 3 of the Civil Code of the Russian Federation) the debtor is exempted from any liability for such non-fulfillment or improper fulfillment.

4. Where it is stipulated by this article, by Articles 12, 35, 39, 41, 46 and 72 of the present Federal Law or by any other federal laws, the mortgagee shall have the right to demand an early fulfillment of an obligation secured by mortgage, and, if this demand is not met, levying of execution upon the mortgaged property, regardless of whether the mortgage-secured obligation is being duly fulfilled or not.

5. The specifics of levying execution upon the property mortgaged by virtue of law in compliance with Federal Law No. 214-FZ of December 30, 2004 on the Participation in Share Construction of Apartment Houses and Other Immovable Property Units and on Amending Certain Legislative Acts of the Russian
The mortgagee's claims shall be settled by foreclosing on mortgaged property in conformity with the adjudication of court, except for cases when, in accordance with Article 55 of the present Federal Law, out-of-court settlement of such claims is permitted.

Article 52. Competence and Jurisdiction of Claims Against Mortgaged Property

A claim on foreclosure on property mortgaged under the mortgage agreement shall be submitted in compliance with the rules of competence and jurisdiction of cases established by the procedural legislation of the Russian Federation.

Article 53. Measures Aimed at Protection of Interests of Other Mortgagees, an Absent Mortgagor and Other Parties

1. Upon bringing a court claim for foreclosing on property mortgaged under two or more mortgage agreements, the mortgagee shall provide the court to which a relevant claim was submitted, with evidence of the fulfillment of the obligation stipulated by Item 4 of Article 46 of the present Federal Law.

2. If from the materials of the case of the foreclosure on mortgaged property it is obvious that the mortgage was or must have been established with the consent of another person or authority, the court to which the claim on the foreclosure was brought shall notify the respective person or authority about the claim and provide him with an opportunity to participate in these proceedings.

3. Persons which under the law or agreement have the right to use the mortgaged property (lessees, tenants, members of the family of the owner of the living premises and other persons) or right to a thing in this property (servitude, life tenure, and other rights) shall be entitled to take part in hearings on the foreclosure on the mortgaged property.

Article 54. Issues Settled by Court During Hearings on the Foreclosure on Mortgaged Property

Federal Law No. 306-FZ of December 30, 2008 worded Item 1 of Article 54 of this Federal Law. The new wording shall be applied to the legal relationships arising from the end point of the bankruptcy proceedings initiated before the date of entering into force of the said Federal Law.

See the Item in the previous wording
1. Levying of execution upon the property put in pledge under a contract of mortgage may be denied where it is provided for by Article 54.1 of this Federal Law.

2. The court judgment on the foreclosure on property mortgaged under a mortgage agreement shall define and indicate the following:

   1) the amounts payable to the mortgagee out of the value of the mortgaged property, excluding all expenses borne to guard and sell the mortgaged property which are determined upon completion of its realization. For the sums calculated on a pro rata basis, an amount is to be indicated on which interest is charged, the amount of interest and the period over which it is charged, are to be stated;

   2) the property being the subject of mortgage, which is to be used for satisfaction of the mortgagee's claims;

   3) the method of realization of the foreclosed property;

   4) the starting price of the mortgaged property in the event of its realization. The initial price of the property to be sold through public sale should be determined on the basis of an agreement of the mortgagor and the mortgagee, and in the event of a dispute - by the court itself;

   5) measures to guard the property up to the moment of its realization, if such measures are necessary;

   Federal Law No. 232-FZ of December 18, 2006 supplemented Item 2 of Article 54 of this Federal Law with Subitem 6. The Subitem shall enter into force from January 1, 2007

   6) the special terms of holding a public sale established by Item 3 of Article 62.1 of this Federal Law, if the mortgaged property are the land plots specified in Item 1 of Article 62.1 of this Federal Law.

   Federal Law No. 264-FZ of December 22, 2008 amended Item 3 of Article 54 of this Federal Law. The amendments shall enter into force upon the expiry of one month after the official publication of the said Federal Law

   See the Item in the previous wording

3. Upon the application of the mortgagor, the court, if the reasons are valid, shall have the right to pass a judgement on the foreclosure on the mortgaged property to postpone the date of its realization for up to one year in the following cases:
1) the mortgagor is an individual irrespective of what property is pledged by him under the mortgage agreement, provided that the pledge is not related to business activity of such individual;

2) the subject of mortgage is a land plot constituting land of agricultural designation.

When determining the duration of postponement of realization of the mortgaged property the court shall take into account that the sum of the mortgagee's claims to be settled out of the value of the mortgaged property at the end of the postponement period shall not exceed the estimated value of the mortgaged property indicated in a report of an independent appraiser or a court's decision as of the time of sale of such property.

Postponement of realization of the mortgaged property shall not affect the parties' rights and obligations under an obligation secured by mortgage of the property, and shall not exempt the debtor from reimbursement of the lender's losses with due account for their increase over the period of postponement, and payments of interest and penalty due to the lender.

If the debtor meets, within a period of postponement granted to him, lender's claims secured by the mortgage in the amount they have as of the time of satisfaction of the claim, then the court shall cancel its judgement of the foreclosure, subject to the mortgagor's application.

4. No postponement of realization of the mortgaged property shall be permitted if:

1) it may lead to considerable deterioration of the mortgagee's financial position;

2) a case of acknowledgement of insolvency (bankruptcy) is brought against the mortgagor or the mortgagee.

Federal Law No. 306-FZ of December 30, 2008 supplemented this Federal Law with Article 54.1. The new Article shall be applied to the legal relationships arising from the end point of the bankruptcy proceedings initiated before the date of entering into force of the said Federal Law

Article 54.1. Grounds for the Refusal to Levy Execution upon Pledged Property

1. It shall not be allowed to levy execution upon pledged property in a judicial procedure, if a debtor's violation of the obligation secured by pledge is extremely insignificant and the extent of the pledge holder's claims is clearly disproportionate to the cost of pledged property.

If not proved otherwise, it shall be assumed that a debtor's violation of the obligation secured by pledge is extremely insignificant and the extent of the
pledge holder's claims is clearly disproportionate to the cost of pledged property, if the following conditions are concurrently met:

1) the amount of the non-discharged obligation constitutes less than five per cent of the value of the subject of pledge under a contract of pledge;

2) the period of delay in the discharge of the pledge-secured obligation is less than three months.

If a contract of pledge does not stipulate otherwise, levying of execution upon the property pledged for the purpose of securing an obligation discharged by making periodical payments shall be allowed in case of systematic failure to observe the deadlines for their making, that is, in case of failure to observe the deadlines for making payments more than three times within twelve months, even if such delay is insignificant.

2. The refusal to levy execution for the reason cited in Item 1 of this article shall not serve as a ground for termination of mortgage and shall not be an obstacle to making a new claim with court for levying execution upon pledged property, if when making such claim the circumstances serving as a ground for the refusal to levy execution are eliminated.

*Federal Law No. 166-FZ of July 17, 2009 reworded Item 3 of Article 54.1 of this Federal Law*

*See the Item in the previous wording*

3. Levying of execution upon mortgaged property without resort to the court (extrajudicially) shall be impermissible in the presence simultaneously of the following conditions:

1) the amount of the unfulfilled obligation secured with the mortgage is less than five per cent of the size of the object of the mortgage under the mortgage agreement;

2) the period of the delay in fulfilling the obligation secured with the mortgage is less than three months.

In this case the mortgage does terminate and the levying of execution upon the object of the mortgage may be extrajudicial after such circumstances have changed.

4. It shall not be allowed to levy execution in an extrajudicial procedure upon residential premises which natural persons have in their ownership.
Federal Law No. 306-FZ of December 30, 2008 amended Article 55 of this Federal Law. The amendments shall be applied to the legal relationships arising from the end point of the bankruptcy proceedings initiated before the date of entering into force of the said Federal Law.

See the Article in the previous wording.

**Article 55. Out-of-Court Foreclosure on Mortgaged Property**

1. It shall be allowed to satisfy the pledge holder's claims on account of the property put in pledge under of a contract of mortgage without judicial recourse (in an extrajudicial procedure) on the basis of an agreement made by the pledge holder and the pledger which may be included into a contract of mortgage or made in the form of a separate contract. The agreement shall be made, if there is the pledger's consent to an extrajudicial procedure for levying execution upon pledged property certified by a notary. Such consent may be given before making a contract of pledge.

   The agreement on settlement of claims on the overlying mortgagee shall be deemed effective if concluded with the participation of the underlying mortgagees.

2. The mortgagee's claims in the procedure stipulated by Item 1 of the present Article shall not be permitted in the event that:

   1) the mortgage of a natural person's property required the consent or permission of another person or agency;

   2) the subject of mortgage is an enterprise as a property complex;

   2.1) the subject of mortgage shall be a land plot from the composition of lands of agricultural purpose;

   2.2) the mortgaged property are the land plots specified in Item 1 of Article 62.1 of this Federal Law;

   3) the subject of mortgage is the property of significant historic, artistic or other cultural value to the public;

   4) the subject of mortgage is the property held in common ownership of several persons with one of the co-owners refusing to give his/her consent to an out-of-court settlement of the mortgagee's claims in writing or in any other manner stipulated by federal law;

   5) the subject of pledge are residential premises which natural persons have in their ownership;
6) the subject of mortgage is the property held in state or municipal ownership.

In the aforesaid cases the mortgaged property shall be foreclosed upon the court judgement.

3. The agreement on settlement of the mortgagee's claims concluded in accordance with Item 1 of the present Article may provide for:

1) realization of the mortgaged property in the manner established in Article 56 of the present Federal Law;

2) acquisition of the mortgaged property by the mortgagee for himself or for third parties with the selling price accounted for as repayment of the mortgagee's claims against the debtor secured against the mortgage. Said agreement may not provide for acquisition of the mortgaged property by the mortgagee if the subject of mortgage is a land plot;

An agreement on acquisition of mortgaged property shall be governed by the regulations of the civil legislation of the Russian Federation on purchase and sale agreements, and in case the property is acquired by the mortgagee for the third parties - also by an agreement on commission.

*Federal Law No. 166-FZ of July 17, 2009 supplemented Article 55 of this Federal Law with Item 3.1*

3.1. In the levying of execution upon property mortgaged in accordance with Subitem 2 of Item 3 of this Article, it shall be acquired by the mortgagee for himself or for third persons with the offset on account of the purchase price of the mortgagee's demands to the debtor secured with the mortgage at the price equal to the market value of such property determined in the procedure established by legislation of the Russian Federation on assessment activity. The results of the conduct of an assessment of mortgaged property may be appealed against by interested persons in the procedure established by legislation of the Russian Federation.

4. When concluding an agreement on settlement of the mortgagee's claims in conformity with Item 1 of the present Article, the parties shall indicate:

1) the name of the mortgaged property at the expense of which the mortgagee's claims are to be settled, and the initial selling price or procedure for fixing it;

2) the amounts to be paid to the mortgagee by the debtor under an obligation secured by mortgage and the mortgage agreement or if the mortgagor is a third party, then also by the mortgagor;
3) method of realization of the mortgaged property or terms of its acquisition by the mortgagee.

4) all underlying and overlying mortgages for the property and rights to a thing and rights of use held by third parties known to the parties by the moment of concluding the agreement.

5. The agreement on out-of-court settlement of the mortgagee's claims concluded in conformity with Item 1 of the present Article may be declared null and void by a court judgement on a claim filed by a party whose interests were violated by this agreement.

6. In the event of the pledger's failure to execute an agreement on levying execution upon pledged property in an extrajudicial procedure, it shall be allowed to levy execution upon the pledged property in an extrajudicial procedure, if not otherwise provided for by laws, on the basis of a notary's execution notation in the procedure established by the legislation on execution proceedings.

*Federal Law No. 306-FZ of December 30, 2008 supplemented this Federal Law with Article 55.1. The new Article shall be applied to the legal relationships arising from the end point of the bankruptcy proceedings initiated before the date of entering into force of the said Federal Law*

**Article 55.1. Amicable Agreement in Respect of Mortgage-Secured Obligation When Levying Execution upon the Subject of Mortgage**

1. An amicable agreement made in the procedure established by the procedural legislation in respect of a mortgage-secured obligation shall not entail termination of mortgage, if not otherwise provided for by the mortgage agreement. As of the time of endorsement by court of an amicable agreement, mortgage shall secure the debtor's obligation changed by the endorsed amicable agreement.

2. Amendments and addenda shall be made in the mortgage registration entry in connection with endorsement of an amicable agreement by court in the procedure established by Item 3 of Article 23 of this Federal Law.
Chapter X. Realization of the Mortgaged Property Which Is Foreclosed

Federal Law No. 18-FZ of February 11, 2002 amended Article 56 of this Federal Law

See the previous text of the Article

Article 56. Realisation of Mortgaged Property

1. Property mortgaged under a mortgage agreement, with respect to which the court decision on foreclosure was taken in compliance with the present Federal Law shall be realized by way of public sale, except for cases stipulated by the present Federal Law.

Procedure for carrying out public sale of mortgaged property shall be regulated by the procedural legislation of the Russian Federation because the present Federal Law does not establish any other rules.

2. When taking a decision on the foreclosure on mortgaged property, the court, with the consent of the mortgagee and the mortgagor, may pass the judgement that mortgaged property should be realized in the manner envisaged by Article 59 of the present Federal Law. The same procedure for the realization of the mortgaged property may be stipulated by an agreement on an out-of-court settlement of claims concluded by the mortgagor and the mortgagee in conformity with Item 1 of Article 55 of the present Federal Law.

Realization of the mortgaged property in the manner envisaged by Article 59 of the present Federal Law shall not be permitted in cases when an out-of-court foreclosure on such property is impossible in accordance with Item 2 of Article 55 of the present Federal Law.

Procedure for the sale of property mortgaged under a mortgage agreement through an auction shall be governed by the rules set forth in Articles 447 to 449 of the Civil Code of the Russian Federation and the present Federal Law, and, if not regulated by said legal acts, - by an agreement on an out-of-court settlement of the mortgagee's claims.

3. In cases of the foreclosure on the pledged right of lease of real estate, it shall be realized in accordance with the rules set forth in the present Federal Law with subsequent formalization of assignment of such right.

Federal Law No. 232-FZ of December 18, 2006 supplemented Article 56 of this Federal Law with Item 4. The Item shall enter into force from January 1, 2007
4. When deciding to levy execution against a land plot which is the mortgaged property in compliance with Item 1 of Article 62.1 of this Federal Law, the court by approbation of the mortgager and the mortgagee may establish that such land plot is subject to sale through an action in the procedure provided for by Item 4 of Article 62.1 of this Federal Law.

Federal Law No. 306-FZ of December 30, 2008 amended the name of Article 57 of this Federal Law. The amendments shall be applied to the legal relationships arising from the end point of the bankruptcy proceedings initiated before the date of entering into force of the said Federal Law

See the name in the previous wording

Article 57. Procedure for Holding Public Sales in the Course of Execution Proceedings

1. Public sale of mortgaged property shall be organized and held by agencies which in accordance with the procedural legislation of the Russian Federation are authorized to enforce court decisions, unless otherwise provided by federal law.

2. Public sale of the mortgaged property shall be held at the location of such property.

Federal Law No. 306-FZ of December 30, 2008 reworded Item 3 of Article 57 of this Federal Law. The new wording shall be applied to the legal relationships arising from the end point of the bankruptcy proceedings initiated before the date of entering into force of the said Federal Law

See the Item in the previous wording

3. An organizer of public sales shall place a notice about future sales at least thirty days before but at earliest 30 days before holding them in a periodical which is an official source of information of the executive power body of a respective constituent entity of the Russian Federation at the immovable property's location, as well as shall forward appropriate information for insertion in the Internet network in the procedure established by the Government of the Russian Federation. The notice shall cite the date, time and place of holding public sales, as well as the nature of the property to be sold and the initial selling price thereof.

4. Persons willing to take part in the public sale shall make an advance payment in an amount, term and procedure which are to be specified in the notice on the public sale. The amount of such advance payment shall not exceed five per cent of the starting sales price of the mortgaged property.
The advance payments made by bidders not winning the sale shall be returned to them immediately after closing the public sale. Advance payments shall also be returned to all bidders in case the public sale is declared void.

5. Presence at the public sale of mortgaged property of persons who do not participate in the public sale, may be restricted only by local self-government bodies in the interests of preserving public order. In any case the right to attend the public sale shall be granted to persons having the right to use or the right to a thing in the property being sold and also the mortgagees in subsequent mortgages.

6. The property shall be sold to the highest bidder. This person and the organizer of the public sale on the day when the public sale is held shall sign a protocol on the results of the public sale. Refusal of any of the parties to sign the protocol shall result in consequences stipulated by Item 5 of Article 448 of the Civil Code of the Russian Federation.

7. The winning bidder shall pay the full amount of the bid (purchase price), less the advance payment, to an account indicated by the organizer of the public sale within five days of completion of the public sale. Should the winning bidder fail to pay this amount, the deposit shall not be returned.

Federal Law No. 216-FZ of December 30, 2004 amended Item 8 of Article 57 of this Federal Law

See the previous text of the Item

8. The organizer of the public sale, within five days of payment of the purchase price by the winning bidder shall sign a purchase and sale agreement with such bidder. This agreement and the protocol on the results of the public sale shall be the grounds for making entries to the Consolidated State Register of Real Estate Rights and Transactions therewith.

Federal Law No. 232-FZ of December 18, 2006 amended Article 58 of this Federal Law. The amendments shall enter into force from January 1, 2007

See the Article in the previous wording

Article 58. Void Public Sale

1. The organizer of the public sale shall declare the public sale void if any of the following circumstances occur:

   1) one bidder is present at the public sale;

   2) no bid higher than the starting sales price of the mortgaged property is offered;
3) the winning bidder fails to pay the purchase price in due time.

The public sale shall be declared void no later than on the day after the occurrence of any of the above circumstances.

2. Within ten days after the public sale is declared void the mortgagee shall have the right, subject to agreement with the mortgagor, to purchase the mortgaged property at its starting sales price of the public sale and to account against the purchase price the amount of his claims secured by the mortgaged property.

Such agreement shall be regulated by the legislation of the Russian Federation on purchase and sale agreements. The mortgage in this case shall be deemed terminated.

3. If the agreement on purchase of property by the mortgagee stipulated by Item 1 of the present Article was not fulfilled the second sale shall be held not later than within one month after the first public sale. The starting sales price of the mortgaged property at the second public sale, if caused by the reasons mentioned in Subitems 1 and 2 of Item 1 of the present Article, shall be lowered by 15 per cent. The public sale shall be conducted in the procedure set forth by Article 57 of the present Federal Law.

4. If the second sale is declared void due to reasons specified in Item 1 of the present Article, the mortgagee shall have the right to purchase (retain) the mortgaged property at a price not more than 25 per cent lower than the starting sales price used at the first public sale, except for the land plots specified in Item 1 of Article 62.1 of this Federal Law, and to account against the purchase the amount of his claims secured by the mortgaged property.

If the mortgagee retained mortgaged property, which could not belong to him due to its nature or designation, including property of significant historic, artistic or other cultural value to the public, or a land plot, then the mortgagee must alienate this property within one year in compliance with Article 238 of the Civil Code of the Russian Federation.

Federal Law No. 306-FZ of December 30, 2008 amended Item 5 of Article 58 of this Federal Law. The amendments shall be applied to the legal relationships arising from the end point of the bankruptcy proceedings initiated before the date of entering into force of the said Federal Law.

See the Item in the previous wording

5. If the mortgagee does not use his right to retain the subject of mortgage for one month after the second public sale is declared void, the mortgage shall be terminated.
The pledge holder shall be deemed as having availed himself of the said right, if within one month as of the date of declaring repeated sales as frustrated he forwards an application (in writing) to the sales organiser or, if execution is levied in a judicial procedure, to the sales organizer and bailiff, for keeping the property for himself. The record on declaring repeated public sales as frustrated, the pledge holder's application for keeping the subject of mortgage for himself and the document which proves forwarding the application to the sales organiser shall be sufficient grounds for registration of the pledger's ownership of the subject of mortgage.

6. Special terms of holding public sales of land plots which constitute mortgaged property in compliance with Item 1 of Article 62.1 of this Federal Law shall be established by Item 3 of Article 62.1 of this Federal Law.

*Federal Law No. 306-FZ of December 30, 2008 reworded Article 59 of this Federal Law. The new wording shall be applied to the legal relationships arising from the end point of the bankruptcy proceedings initiated before the date of entering into force of the said Federal Law.*

*See the Article in the previous wording*

**Article 59. Realization of Pledged Property by Agreement of the Parties**

1. The subject of mortgage shall be realized by agreement of the parties in an extrajudicial procedure for levying execution upon pledged property through a public auction by the sales organizer acting on the basis of the contract made with the pledge holder in the name thereof or in his own name.

The amount of remuneration to the sales organizer shall be deducted by him from the amount derived from realising the subject of mortgage. If the sales organiser's remuneration exceeds three per cent of the amount derived from realising the subject of mortgage, the difference between the remuneration provided for by the agreement made with the sales organizer and the amount constituting three percent of the sum derived from realizing the subject of mortgage shall not be reimbursed on account of the cost of the subject of mortgage and shall be paid at the pledge holder's expense.

2. It shall be only allowed to sell pledged property through a closed auction where it is provided for by federal laws.

3. Prior to holding an auction, the sales organizer or pledge holder shall forward to the pledger a notice of the need for discharging the mortgage-secured obligation. The notice shall be forwarded to the pledger by registered mail to the address cited in a contract of mortgage or to other known pledger's place of residence or location. The notice of the need for discharging the mortgage-secured obligation shall contain the following data:
1) the extent of the non-discharged obligation as of the date of forwarding the notice;

2) proposal to discharge the mortgage-secured obligation;

3) warning to the effect that, in the event of failure to discharge the obligation at the time cited in the notice, the pledge holder is entitled to levy execution upon pledged property.

4. In case of failure to satisfy the requirements contained in a notice of holding sales, the sales organiser within 10 days as of the date when the notice is received by the pledger or, if this time period expires earlier, in 45 days as of the date when such notice is forwarded to the pledger by the pledge holder or the sales organizer, shall forward to the pledger and pledge holder a notice of the sales and shall publish a notice of the sales.

5. A notice of holding sales shall contain the following data:

1) pledger's name, place of residence or denomination and location;

2) pledge holder's name, place of residence or denomination and location;

3) denomination of the mortgage-secured obligation. If this obligation is based on a contract, the parties to this contract, date and place of its conclusion shall be cited;

4) denomination, description and characteristics of the immovable property which is the subject of mortgage;

5) time and place of holding sales;

6) sales organiser's denomination, location and telephone number.

6. A published notice of holding sales shall contain the following data:

1) denomination, location, description and characteristics of the immovable property which is the subject of mortgage;

2) amount, time of and procedure for paying earnest money by the persons participating in the sales. The amount of earnest money may not exceed five per cent of the initial selling price of pledged property;

3) procedure for and time of paying the purchasing price on the basis of the sales results;

4) time and place of holding sales;
5) denomination, location and contact telephone number of the sales organizer and bank details thereof.

7. A notice of holding sales shall be published in a periodical print which is an official source of information of the executive power body of a constituent entity of the Russian Federation at the location of immovable property.

8. Starting from the date of the first publication of a notice of holding sales, the pledger shall not be entitled to make transactions in respect of the subject of mortgage (except for the transactions made by the pledge holder which are aimed at terminating the mortgage-secured obligation) and, if such transactions have been made, they can be declared invalid on the basis of a claim of a person concerned.

9. At least 10 days have to pass from the date of the first publication of a notice of holding sales up to the date when they are held.

10. If, when realizing pledged immovable property without judicial recourse (in an extrajudicial procedure), this Federal Law provides for obligatory attraction of an appraiser, the initial selling price of the subject of mortgage shall be fixed as being equal to eighty per cent of the immovable property value estimated in the appraiser's report, provided that the agreement of the parties on levying execution upon pledged immovable property does not stipulate otherwise. If not otherwise established by federal laws, an appraiser shall be attracted without fail for fixing the initial selling price of pledged immovable property when execution is levied upon the following:

1) right of the immovable property's lease;

2) right of claim of a share construction participant following from a contract of share construction participation which satisfies the requirements of the Federal Law on Participation in Share Construction of Apartment Houses and Other Immovable Property Items and on Amending Some Legislative Acts of the Russian Federation;

3) the immovable property whose value under a contract of mortgage is over five hundred thousand roubles.

11. The pledger by request of the pledge holder in writing is obliged at latest in three working day after raising such claim to pass over to the pledge holder the documents required for holding sales and for transfer of the subject of mortgage to the sales' winner for ownership.

If before the time of realization of the subject of mortgage the debtor, pledger or third person have satisfied in full all the mortgage-secured claims of the pledger in the volume existing at the time of paying appropriate sums, the pledge holder at
latest on the working day following the date when the monetary funds are remitted to the account thereof is obliged to return to the pledger all the documents previously transferred thereto by the pledger.

12. The provisions established by Items 2 and 4-8 of Article 57 of this Federal Law shall likewise apply to the property realization by agreement of the parties.

13. Grounds and procedure for, as well as effects of, declaring sales as frustrated shall be regulated by Article 58 of this Federal Law.

14. For the purpose of realization of pledged property in the procedure provided for by this article, the pledge holder is entitled to make in his own name all the transactions required for it and complying with his legal capacity (including contracts made with the sales organizer and appraiser), as well as to sign all the documents required for realization of pledged property, in particular acceptance certificates.

Article 60. Termination of the Foreclosure on Mortgaged Property and Its Realization

*Federal Law No. 18-FZ of February 11, 2002 amended Item 1 of Article 60 of this Federal Law*

*See the previous text of the Item*

1. The debtor under the secured obligation and the mortgagor who is a third party shall have the right to cancel the foreclosure on the mortgaged property by having fulfilled the mortgagee's claims secured by the mortgage, in the amount of such claims at the moment of payment of respective amounts. Such right may be exercised at any time prior to the moment of sale of the mortgaged property by way of public sale, auction, or tender, or prior to acquisition by the mortgagee of the right to this property in the established procedure.

2. A party demanding termination of the foreclosure on mortgaged property or cancellation of its sale, must compensate the mortgagee his expenses incurred due to the foreclosure or realization of this property.

*Federal Law No. 306-FZ of December 30, 2008 amended Article 61 of this Federal Law. The amendments shall be applied to the legal relationships arising from the end point of the bankruptcy proceedings initiated before the date of entering into force of the said Federal Law*

*See the Article in the previous wording*


Article 61. Distribution of Proceeds from the Realization of Mortgaged Property

The amount derived from realization of the property mortgaged under a mortgage agreement, after deduction of the amounts needed to cover the expenses associated with levying execution upon this property and its realisation, shall be distributed to the mortgagees who have raised their claims for execution, other creditors of the mortgagor and the mortgagor proper. The proceeds shall be distributed by an agency responsible for execution of court decisions or, in case execution is levied upon pledged property in an extrajudicial procedure- by the sales organizer subject to the rules of Article 319, Item 1 of Article 334 and Items 3 and 4 of Article 350 of the Civil Code of the Russian Federation, as well as Article 46 of the present Federal Law.

If the foreclosed subject of mortgage is state or municipal property, then the amounts which are to be transferred to the mortgagor in the procedure and order of priority established by the present Article shall be included in the respective budget.
Chapter XI. Peculiar Features of Mortgage of Land Plots

Federal Law No. 1-FZ of February 5, 2004 amended Article 62 of this Federal Law

See the previous text of the Article

Article 62. Land Plots Which May Be the Subject of Mortgage

1. Under a mortgage agreement there may be pledged land plots so far as the relevant lands have not, on the basis of a federal law, been excluded from or limited in turnover.

Federal Law No. 232-FZ of December 18, 2006 amended Item 1.1 of Article 62 of this Federal Law. The amendments shall enter into force from January 1, 2007

See the Item in the previous wording

1.1. If a land plot has been transferred to a citizen or juridical person under a lease agreement, then the landholders shall have the right to put the leasehold interest of the land plot in pledge within the limits of the period of the land-plot lease agreement with the consent of the proprietor of the land plot.

Mortgage of the tenant rights to a land plot which is in the state or municipal ownership by the tenant of such land plot shall be allowable within the validity term of the contract of tenancy by approbation of the land plot's owner. When holding on lease a land plot which in the state or municipal ownership within more than 5 years, it shall be allowable to mortgage the tenant right in respect of it without the approbation of the owner of the land plot provided that he is notified of it.

2. In case of common shared or joint ownership of land plots listed in Item 1 of the present Article, the mortgage may be established only with respect to the individual's or legal entity's land plot allotted in kind out of land under the common shared or joint ownership.


1. The mortgaged property under a contract of mortgage may be land plots which are in municipal ownership and land plots whose state ownership is not delimited, if such land plots are intended for housing construction or for complex development for the purpose of housing construction and are transferred to secure
2. Decisions on mortgage of land plots which are in municipal property which are specified in Item 1 of this Article shall be rendered by local authorities.

Decisions on mortgage of land plots whose state ownership is not delimited and which are specified in Item 1 of this Article shall be rendered by the state power bodies of constituent entities of the Russian Federation or local authorities vested with the authority to dispose of the said land plots in compliance with the legislation of the Russian Federation.

3. Public sales of the land plots specified in Item 1 of this Article shall be arranged and held in compliance with Articles 57 and 58 of this Federal Law subject to the special terms in respect of the limit number of repeated public sales and the rate of reduction of the knockdown selling price herein which are specified in the court decision on levying execution against the land plot mortgaged under a contract of mortgage.

After declaring all public sales of the land plot specified in Item 1 of this Article as frustrated such land plot's mortgage shall be terminated.

4. If the land plot specified in Item 1 of this Article is subject to sale on the basis of Item 4 of Article 56 of this Federal Law, such land plot shall be sold in the procedure established by Article 38.1 of the Land Code of the Russian Federation subject to the following specifics:

the knockdown selling price is fixed by a court decision for levying execution against the land plot mortgaged under a contract of mortgage;

the public sale's organiser is the specialised selected by the mortgagee by approbation of the mortgager;

limit number of repeated public sales and rate of reduction of the knockdown selling price shall be determined by the mortgagee by approbation of the mortgager or, if there is a dispute, by the public sale's organiser.

After declaring all public sales frustrated and after making a contract of purchase and sale of the land plot specified in Item 1 of this Article with the sole public sale's participant, the mortgage of this land plot shall be terminated.

**Article 63. Land Plots the Mortgage of Which is Prohibited**

*Federal Law No. 232-FZ of December 18, 2006 amended Item 1 of Article 63 of this Federal Law. The amendments shall enter into force from January 1, 2007*
1. In accordance with this Federal Law, it shall be impermissible to mortgage any land plots that are in the state or municipal ownership, except for the land plots specified in Item 1 of Article 62.1 of this Federal Law.

2. It is not permitted to mortgage a part of a land plot, the size of which is smaller than the minimum size established by the normative acts of the subjects of the Russian Federation and normative acts of local self-government bodies for land of different designation and permitted use.

Federal Law No. 216-FZ of December 30, 2004 amended Article 64 of this Federal Law

Article 64. Mortgage of a Land Plot With Buildings and Structures Belonging to the Mortgagor

Federal Law No. 264-FZ of December 22, 2008 amended Item 1 of Article 64 of this Federal Law. The amendments shall enter into force upon the expiry of one month after the official publication of the said Federal Law

See the Item in the previous wording

1. Unless otherwise is stipulated under an agreement for mortgage or the contract causing the emergence of a mortgage by operation of law, in case of mortgaging a land parcel, the right of hypothecation shall also apply to a building or structure of the mortgager that is located or is being constructed on the land parcel.

The right of the mortgager to dispose of such building or structure, the terms and consequences of assignment of rights to those building or structure to other persons shall be subject to the rules of Chapter VI of this federal law.

When the agreement includes a provision to the effect that a building or structure located or being constructed on the land parcel and belonging to the mortgager have not been mortgaged to the same mortgagee, the mortgagor shall, in case a claim is made to the land parcel, retain the right to such building or structure and acquire the right of limited use (servitude) of the portion of the land parcel which is essential for using those building or structure according to their purpose. The terms of using the said portion of the land parcel shall be such as defined under an agreement reached between the mortgager and mortgagee and should a dispute arise - by the court.

2. The mortgagor of the land plot shall have the right, without consent of the mortgagee, to dispose of his buildings or constructions, which in conformity with Item 1 of the present Article are not covered by the mortgage right.
In case of alienation of such building or construction to another party and absence of agreement with the mortgagee on another right, the rights which can be acquired by such party with respect to the mortgaged land plot, shall be limited by the conditions set forth in part three of Item 1 of the present Article.

3. Abolished

See the previous text of the Item

4. If on a land plot being pledged from the composition of lands of agricultural purpose there are buildings, structures or installations, including such being erected thereon, or any other object of immovable property firmly bonded to the land plot belonging on the same right to the proprietor of such land plot, than it shall be permissible to mortgage such land plot only with the simultaneous mortgaging of the immovable firmly bonded thereto.

Federal Law No. 216-FZ of December 30, 2004 supplemented this Federal Law with Article 64.1:

Article 64.1. Hypothecation of the Land Parcel That Has Been Acquired by Using the Loan Funds of a Bank or Other Credit Institution or with the Funds of a Target Loan

1. Unless otherwise is provided under the federal law or agreement, a land parcel that has been acquired by using the loan funds of a bank or other credit institution or the funds of a target loan granted by other legal person to acquire that land parcel shall be deemed to be under hypothecation from the time of state registration of the right of ownership of the borrower to that land parcel.

When a respective land parcel is taken on lease, hypothecation shall originate by virtue of the law on the right of lease, unless otherwise is prescribed under a federal law or contract of lease.

The mortgagee under the given hypothecation shall be a bank or other credit institution or any other legal person that has granted a credit or a target loan to acquire the land parcel or the right to lease the land parcel.

2. The hypothecation of the land parcel or the right of lease of the land parcel originating on the basis of Item 1 of this Article shall be subject to the rules on the mortgage of immovable property and the right of lease of immovable property originating by virtue of a contract.
Federal Law No. 264-FZ of December 22, 2008 amended Article 64.2 of this Federal Law. The amendments shall enter into force upon the expiry of one month after the official publication of the said Federal Law

See the Article in the previous wording

Article 64.2. Hypothecation of a Land Parcel Which Is the Site of Buildings or Structures That Have Been Acquired or Constructed by Using the Credit Funds of a Bank or Other Credit Institution or the Funds of a Target Loan

1. Except as otherwise envisaged by a federal law or contract, the land plot on which a building or structure has been or is being built through the use of credit funds of a bank or another credit organisation or of target loan funds granted by another legal entity or the right to let on lease such land plot is deemed mortgaged starting from the time of state registration of the right of ownership to the building or structure acquired, built or being built or starting from the time when the body responsible for the state registration or rights receives a notice of the mortgagor and the mortgagee concerning the conclusion of a credit contract (contract of loan with an earmarked use clause) together with said contract.

2. The mortgagee under the hypothecation specified under Item 1 of this Article shall be a bank or other credit institution or any other legal person that have granted a credit or a target loan to construction or acquisition the building or structure.

Article 65. Erection of Buildings or Structures on a Mortgaged Land Plot by the Mortgagor

Federal Law No. 18-FZ of February 11, 2002 amended Item 1 of Article 65 of this Federal Law

See the previous text of the Item

1. Unless otherwise provided by the mortgage agreement, the mortgagor shall have the right to erect in the established procedure buildings or structures on the land plot mortgaged under the mortgage agreement. Except as otherwise required by the contract of mortgage, the mortgage shall extend to these buildings and structures.

If erection of a building or structure on the mortgaged land plot by the mortgagor results or may result in deterioration of the secured mortgage provided to the mortgagee, then, in conformity with Item 2 of Article 450 of the Civil Code of the Russian Federation, the mortgagee shall have the right to demand a change to the
mortgage agreement, including, if necessary, extending the mortgage to the erected building or construction.

2. If the mortgagee's rights are certified by an encumbrance, then erection of buildings of structures on a mortgaged land plot shall be permitted only if the mortgagor's right to erect these buildings or structures is established in the encumbrance and the terms set forth in it are observed.

**Article 66. Mortgage of a Land Plot With Buildings and Structures Belonging to Third Parties**

If the mortgaged land plot has a building or construction owned by a person other than the mortgagor, in the event of foreclosure by the mortgagee and realization of this land plot, a person acquiring this land plot shall assume the rights and obligations to that person that were borne by the mortgagor as the owner of the land plot.

*Federal Law No. 1-FZ of February 5, 2004 reworded Article 67 of this Federal Law*

See the previous text of the Article

**Article 67. Evaluation of a Land Plot in Its Mortgaging**

1. The evaluation of a land plot shall be carried out in accordance with the legislation regulating the evaluation activity in the Russian Federation.

2. The pledge value of a land plot being put in pledge under a mortgage contract shall be established by agreement of the pledger with the pledgee.

3. Abrogated.

*See the text of Item 3 of Article 67*

*Federal Law No. 1-FZ of February 5, 2004 amended Article 68 of this Federal Law*

See the previous text of the Article

**Article 68. Specific Features of Foreclosure on Mortgaged Land Plots and Their Realization**

1. A land plot purchased at a public sale, auction or through a tender shall be subject to the requirements established with respect to permitted use.

A person who bought a land plot sold at a public sale, auction or through a tender shall have the right to change the designation of the plot only in cases stipulated by the land legislation of the Russian Federation and in the procedure established by such legislation.
2. Sale and purchase of mortgaged land plots at public sales, an auction or through a tender shall be carried out in accordance with the restrictions established by federal law with respect to persons allowed to acquire such land plots.

3. It shall be impermissible to recover a pledged land plot from the composition of lands of agricultural purpose prior to the expiry of the relevant period of agricultural works taking into account the time necessary for the realisation of the manufactured and (or processed agricultural products).

   This requirement shall be effective till November 1 of the year in which there is stipulated the fulfilment of the mortgage-secured obligation or par thereof, unless the mortgage agreement stipulates another date.

   Federal Law No. 264-FZ of December 22, 2008 supplemented Article 68 of this Federal Law with Item 4. The Item shall enter into force upon the expiry of one month after the official publication of the said Federal Law

4. The mortgagee's levy of execution on the mortgaged land plot and the sale of the land plot shall be deemed ground for terminating the right to use it belonging to the mortgagor and any other persons possessing the land plot.

   Federal Law No. 166-FZ of July 17, 2009 reworded the title of Chapter XII of this Federal Law

   See the Article in the previous wording
Chapter XII. Peculiarities of the Mortgage of an Enterprise, a Building, Structure and Non-Living Premises

*Federal Law* No. 118-FZ of June 26, 2007 amended Article 69 of this Federal Law

*See the Article in the previous wording*

**Article 69. Mortgage of Enterprises, Buildings and Constructions Together With Land Plot on Which They Are Located**

Upon mortgage of an enterprise as a property complex (hereafter referred to as the "enterprise") the mortgage right shall be applied to all property of such enterprise (Item 2 of Article 340 of the Civil Code of the Russian Federation). A building or construction shall be mortgaged only simultaneously with the mortgage under the same agreement of the land plot in which the enterprise, building or construction is located, or the mortgagor's lease rights to the whole plot.

The mortgage right shall not be applied to the mortgagor's right to permanent use of the land plot in which the enterprise, building or structure is located. In the event of foreclosure on such enterprise, building or structure the person acquiring such property into ownership shall acquire the right to use the land plot under the same terms and amount as the previous owner (mortgagor) of real estate.

*Federal Law* No. 166-FZ of July 17, 2009 supplemented this Federal Law with Article 69.1

**Article 69.1. Mortgage of Buildings, Structures and Non-Living Premises Acquired with the Use of Credit Means of a Bank or Another Credit Organisation or of Means of a Targeted Loan**

Unless otherwise stipulated by a federal law or an agreement, a building or structure and the land plot on which such building or structure is located, non-living premises acquired fully or in part with the use of credit means of a bank or another credit organisation or means of a targeted loan granted for their acquisition by another legal entity, shall be deemed to be mortgaged from the moment of the state registration of the right of ownership of the borrower to such building or structure, the right of ownership or right of lease to the land plot on which such building or structure is located, or the right of ownership to such non-living premises.

The mortgagees under such mortgage shall be the bank or another credit organisation or another legal entity mentioned in Part one of this Article.
Article 70. Mortgage of an Enterprise as a Property Complex

1. Mortgage of an enterprise shall be permissible only upon the consent of the owner of the property related to the enterprise or an agency authorized by the owner. A mortgage agreement concluded in violation of this requirement shall be deemed null and void.

2. If the subject of mortgage and the agreement does not provide for anything else, the mortgaged property shall include both tangible and intangible assets, including buildings, constructions, equipment, tools, raw materials, finished products, rights of claim, and exclusive rights.

3. The list of property to be mortgaged and its appraisal shall be made on the basis of the comprehensive inventory of the enterprise. The inventory act, the balance sheet and the report of an independent auditor on the cost and property composition of the enterprise shall be deemed as obligatory appendices to the mortgage agreement.

Federal Law No. 143-FZ of November 9, 2001 supplemented Item 3 of Article 70 of this Federal Law with the following paragraph:

In cases when evaluation is obligatory by force of law, a report on the evaluation of the property referred to the enterprise, shall also be an obligatory supplement to the contract.

Article 71. Obligations Which May Be Secured by Mortgage of an Enterprise

1. Mortgage of an enterprise may be used to secure a financial obligation amounting to not less than half the value of property of the enterprise.

2. Mortgage of an enterprise may secure a financial obligation with a maturity term of not less than one year from the conclusion of the mortgage agreement. In the event that the mortgage agreement stipulates a shorter term for the secured obligation, the mortgagee's right of foreclosure on the subject of mortgage under the unfulfilled obligation shall originate at the end of one year from the conclusion of the mortgage agreement.

Article 72. The Mortgagor's Right to the Mortgaged Enterprise

1. The mortgagee shall have the right to sell, exchange, lease, lend or dispose of the property in any other way, or modify the composition of property of the mortgaged enterprise, unless these measures depreciate the total value of property of the enterprise noted in the mortgage agreement or violate other conditions of the agreement.
Without the consent of the mortgagee the mortgagor shall have the right to pledge the property of the enterprise or carry out transactions aimed at alienation of the real estate of the enterprise, unless otherwise is provided by the mortgage agreement.

2. In case the mortgagor fails to take the necessary measures to ensure the protection of the mortgaged property or inefficiently uses the mortgaged property, which may lead to depreciation of the value of the enterprise, the mortgagee shall have the right to file a court claim on acceleration of the secured obligation or on introduction of mortgage control over the activity of the mortgagor.

Upon a court decision introducing mortgage control, the mortgagee may be authorized:

1) to demand from the mortgagor submission of regular accounting and other reporting documents, and advance coordination of matters pertaining to transactions with the property of the enterprise;

2) to demand that the owner of the enterprise or his authorized representative body cancel its contract with head of the enterprise;

3) to file court claims on acknowledging the transactions carried out by the mortgagor null and void;

4) to exercise other rights stipulated by the mortgage control over the mortgagor's activity.

**Article 73. Foreclosure on Mortgaged Enterprise**

1. In case of non-fulfillment of an obligation secured by the mortgage of the enterprise by the mortgagor, the recourse against mortgaged property may be taken only under a court decision.

2. A buyer of an enterprise purchased at a public sale shall assume the rights and obligations of the owners of such enterprise from the moment of state registration of his ownership right to the acquired property.
Chapter XIII. Specific Features of Mortgage of Residential Houses and Apartments

Article 74. Application of the Regulations on Mortgage of Residential Houses and Apartments

1. Regulations contained in the present Article shall be applied to the mortgage of individual houses designated for permanent residence, multi-quartered residential houses and apartments owned by individuals or legal entities.

2. Mortgage of individual and multi-quartered residential houses and apartments under the state or municipal ownership shall not be permitted.

3. Hotels, guest houses, summer cottages, garden houses and other structures and premises not intended for permanent residence may be the subject of mortgage in the general procedure. Procedures established for the mortgage of residential houses and apartments shall not be applicable to them.

4. Mortgage of a part of a residential house or part of an apartment consisting of one or more isolated rooms shall be regulated by the rules on mortgage of a residential house or apartment stipulated by rules of the present Federal Law on mortgage of a residential house and apartment.

5. A residential house or apartment owned by individuals under the legal age, partially able and disabled persons under guardianship or trusteeship shall be mortgaged in the procedure established by the legislation of the Russian Federation for transactions with property of persons under trusteeship.

*Federal Law No. 18-FZ of February 11, 2002 excluded Item 6 from Article 74 of this Federal Law*

Article 75. Mortgage of Apartments in a Multi-Quartered Residential House

In case of the mortgage of an apartment in a multi-quartered house, some parts of which in accordance with Item 1 of Article 290 of the Civil Code of the Russian Federation are in common shared ownership of the mortgagor and other persons, the appropriate share of the right of common ownership to the residential house shall be deemed as mortgaged along with the living premises.

*Federal Law No. 216-FZ of December 30, 2004 amended Article 76 of this Federal Law*

See the previous text of the Article
Article 76. Mortgage of Residential Houses Under Construction

A mortgage agreement providing credits or a goal-oriented loan for the construction of a residential house may stipulate that an obligation under the agreement shall be secured by uncompleted construction or building equipment and materials owned by the mortgagor and prepared for construction. Upon completion of construction of a dwelling house the mortgage for it shall be terminated.

Federal Law No. 216-FZ of December 30, 2004 amended Article 77 of this Federal Law

See the previous text of the Article

Article 77. Mortgage of Residential Houses and Apartments Acquired at the Expense of a Credit Issued by a Bank or Other Credit Institution

1. Unless otherwise is provided under a Federal Law or an agreement, a dwelling house or an apartment that has been acquired or constructed either fully or partially by using the credit funds of a bank or of other credit institution or the funds of a target loan granted by other legal person to acquire or construct the dwelling house or apartment, shall be deemed to be under hypothecation from the time of state registration of the rights of ownership of the borrower to the dwelling house or apartment.

2. The mortgage of a residential house or apartment originated in accordance with Item 1 of the present Article shall be regulated by rules of mortgage of real estate based on a mortgage agreement.

3. The bodies of trusteeship and guardianship shall have the right to give consent that the living accommodation in which there reside members of the family of the owner of the given living accommodation who are under trusteeship or guardianship or underage members of the family of the owner who have been left without parental care (which is known to the body of trusteeship and guardianship) be alienated and (or) hypothecated, unless that affects the rights or protected-under-the-law interests of the said persons.

A decision of the bodies of trusteeship and guardianship to give consent that the living accommodation in which the said persons reside be alienated and (or) hypothecated or a motivated decision to withhold such a consent shall be presented to the applicant in writing not later than in 30 days after an application has been filed for such a consent.

Decision of the bodies of trusteeship and guardianship may be appealed in the court of law.
Federal Law No. 324-FZ of December 4, 2007 supplemented Article 77 of this Federal Law with Item 4. The Item shall enter into force from January 1, 2008

4. The lodging (the living premises), acquired or built fully or in part with the use of accumulations for housing provision for servicemen, granted under a contract for the goal-oriented housing loan in conformity with the Federal Law on the Accumulation-Mortgage System of Housing Provision for Servicemen, is seen as being in pledge as from the moment of state registration of the right of ownership to a dwelling house or a flat. If the credit (borrowed) funds of a bank or of another organisation are used, it is seen as being in pledge (in mortgage) at the corresponding creditor and at the Russian Federation in the person of the federal executive power body, ensuring the functioning of the accumulation-mortgage system of the housing provision for servicemen, which has granted the goal-oriented housing loan for the acquisition or construction of the lodgings (of the living premises).

No mortgage is issued for the purposes of certifying the rights of the Russian Federation by a mortgage-provided liability. If the lodgings (the living premises) is (are) simultaneously pledged to the corresponding creditor and the Russian Federation, the claims of the Russian Federation shall be satisfied after meeting the claims of the above-said creditor.

Federal Law No. 216-FZ of December 30, 2004 amended Article 78 of this Federal Law

See the previous text of the Article

Article 78. Foreclosure on the Mortgaged Residential House or Apartment

1. Making a claim by the mortgagee to a dwelling house or apartment that has been hypothecated and realization of that property shall serve as the grounds to terminate the right to use the same by the mortgager and by any other persons residing in those dwelling house or apartment, provided those dwelling house or apartment were hypothecated under an agreement for mortgage or under mortgage by virtue of a law to secure the repayment of a credit or target loan granted by a bank or by other credit institution or by other legal person for purposes of acquisition or construction of those or other dwelling house or apartment, overhaul of same or of other inalienable improvement and also of redemption of earlier granted credit or loan for acquisition or construction of the dwelling house or apartment.

2. The levy of execution against a mortgaged residential house or apartment may be effected either through judicial or extra-judicial procedures in keeping with the rules established by Chapter IX of the present Federal Law.
A residential house or apartment mortgaged under a contract of mortgage which is subjected to a levy of execution shall be realised by means of a sale in the form of a public auction or tender.

3. A contract of lease or contract of rental of living accommodation concluded prior to origination of mortgage or with the consent of the mortgagee following the origination of mortgage shall remain valid when selling living accommodation. The terms of dissolution of that contract shall be such as defined under the Civil Code of the Russian Federation and the housing legislation of the Russian Federation.
Chapter XIV. Final Provisions

Article 79. Putting the Present Federal Law Into Force

1. The present Federal Law shall enter into force on the day of its official publication.

2. As of the effective date of the present Federal Law, the norms of the Law of the Russian Federation on Pledge shall be applicable to the pledge of real estate (mortgage) to the extent they are consistent with the present Federal Law. Until the federal laws and other legal acts of the Russian Federation (Items 3 and 4 of Article 3 of the Civil Code of the Russian Federation) are brought into conformity with the present Federal Law these federal laws and other legal acts of the Russian Federation shall be applicable to the extent they are consistent with the present Federal Law.

3. The norms of the present Federal Law shall apply to relations resulting from pledge of real estate (mortgage) as of the effective date of the present Federal Law.

With respect to relations which have arisen before the effective date of the present Federal Law, the present Federal Law shall apply to the rights and obligations which arise after the effective date of the present Federal Law.

4. To propose that the President of the Russian Federation should bring into conformity with this Federal Law all legal acts issued by him.

5. The Government of the Russian Federation shall:

1) bring into conformity with this Federal Law all legal acts issued by it;

2) adopt legal acts ensuring realization of this Federal Law.