

Fullerton India Home Finance Company Limited

Interest Rates, Processing & Other Charges Policy

INDEX

S. No.	Table of Content	Page
1	Background	4
2	Scope	4
3	Policy Principles	4
3.1	Interest Rates	4
3.2	Penal Interest /Late payment charges	6
3.3	Processing /documentation and other charges	6
4	Roles and Responsibility	7
5	Review of the Policy	7

Glossary

NHB	National Housing Bank
ALCO	Asset-Liability Committee
FIHFC	Fullerton India Home Finance Company Limited
HFC	Housing Finance Companies
ALM	Asset-Liability Management
PLR	Prime Lending Rate

1. Background

National Housing Bank (NHB) vide its circular, NHB (ND)/DRS/Pol-No. 29/2009 dated Jun 2, 2009, had advised Housing Finance Companies (HFCs) to revisit their policies interest rate determination, fees and charges etc. including margin and risk premium charged to different categories of borrowers and get the same duly approved by their respective Boards.

NHB also observed the following in its circular NHB/ND/DRS/Pol-No. 35/2010-11 dated Oct 11, 2010 on “Asset Liability Management (ALM) System for HFCs – Guidelines”

- HFCs to determine on their own, interest rates on advances and deposits, subject to the ceiling on maximum rate of interest on deposits, on a dynamic basis
- The business issues that an ALCO should consider will, inter alia, include product pricing for both deposits and advances, desired maturity profile and mix of the incremental assets and liabilities, prevailing interest rates offered by other peer HFCs for similar services/product, etc.
- The ALCO should also articulate the current interest rate view of the HFC and base its decisions for future business strategy on this
- The interest rates on advances could be re-priced any number of occasions, corresponding to the changes in PLR

Keeping in view the NHB guidelines cited above and other circulars of NHB, the following internal guiding principles on interest rates and charges are laid out by the Board of Fullerton India Home Finance Company Limited (the Company) to be followed by the Asset Liability Management Committee (ALCO) and other responsible positions.

2. Scope

This policy would cover all the loan products offered by the Company.

3. Policy Principles

3.1. Interest Rates

- a. The floating rate loans should be linked to a reference rate to be termed as “Prime Lending Rate (PLR)” and the PLR should be reviewed normally on quarterly intervals but could be more frequent if the market conditions demand.
- b. The PLR and interest rate range and yield for each loan product/sub-product should be decided by the ALCO, from time to time.

- c. The PLR and rate of interest range should be determined based on but not limited by:
- the cost of funds
 - matching tenor cost
 - market liquidity
 - refinance/securitization avenues
 - offerings by competition
- d. The rate of interest offered to the customers should be further refined based on but not limited by
- inherent credit and default risk of the customer per se arising from customer segment, profile of the customers, professional qualification, stability in earning and employment and repayment ability,
 - overall customer yield,
 - risk premium,
 - nature and value of primary and collateral securities,
 - past repayment track record of the customers,
 - tenure of customer relationship,
 - external ratings of the customers
 - industry trends etc.
- e. The company should adopt an interest rate model whereby the rate of interest for the same product and tenor availed during the same period could be differ from customer to customer depending upon the consideration of any one or combination of factors listed out under point 2 (d) above. The interest rate applied would be different from customer to customer on his/her loans.
- f. The interest should be computed on daily balance based products and charged on monthly rests or such other rests as ALCO should decide in accordance with applicable rules and regulations.
- g. The annualized Interest rates which could be fixed or floating or variable basis should be intimated to the customers through a sanction letter at the time of sanction of the loan and the equated installments apportionment towards interest and principal dues should also be made available to the customer. The sanction communication also should indicate whether fixed/floating/variable and spread over the PLR and interest reset dates, if any.
- h. The Company may consider if found necessary, moratorium for interest payment and repayment of principal with proper built in pricing.

- i. In case of staggered disbursement, the rate of interest would be subjected to review and may vary accordingly to the prevailing rate at the time of disbursement or as may be decided by the Company. Intimation of change of interest, if any, or other charges should be communicated to customers through the website and other suitable means.
- j. The interest rate range of contracted loans for the past quarter for different categories of advances granted to individual borrowers along with mean interest rates for such loans should be displayed on the website of the Company.
- k. The key interest rates on loans should be displayed in the common notice board of the branches/offices.

3.2. Penal Interest /Late payment charges

Besides normal interest, the Company should collect penal interest / late payment charges for any delay or default in making payments of any dues. These penal interest / late payment charges for different products or facilities should be decided by the ALCO from time to time.

No claims for refund or waiver of such charges/ penal interest / additional interest would normally be entertained by the Company and it is the sole discretion of the Company to deal with such requests if any.

3.3. Processing /documentation and other charges

- a. All processing / documentation and other charges applicable and refundable (in case of non-sanction/disbursal) should be decided by the ALCO, stated in the loan documents
- b. The other charges could include cheque bounce charges, pre-payment charges, part disbursement charges, cheque swap charges, cash handling charges, commitment fees, charges on various other services like issuing No due certificate, NOC, letters ceding charge on assets/ security, security swap & exchange charges, personal visit charges etc. These charges may vary based on loan product, exposure limit, customer segment, geographical locations and cost incurred in rendering services to the customers. The practices followed by other competitors in the market would also be taken into consideration.
- c. Besides the base charges, the service tax and other cess should also be collected from the customers at applicable rates from time to time and remitted the concerned government department.
- d. In line with circulars ref no. NHB (ND)/DRS/Pol. Circular No 63/2014-15 dated Aug 14, 2014 and NHB (ND)/DRS/Policy Circular No 66/2014-15 dated Sep 3, 2014, the Company should not

charge foreclosure charges/ pre-payment penalties on floating rate term loans sanctioned to individual borrower sans firm/company as co-borrower.

4. Roles and Responsibility

The roles and responsibilities under this Policy are laid down as follows

S No	Activity	Responsibility
1	Placing all the notes related to PLR	Head of Treasury
2	Placing all the notes related to spreads	Head of Sales
3	Placing all the notes related to charges	Head of Sales
4	Sanction communication to customers	Head of Credit
5	Customer communications at branches/offices	Head of Customer Fulfillment
6	Placing policies and data at website	Head of Sales
7	Approval of notes related to PLR, spread and charges	ALCO

The interest rate models, benchmark prime lending rate (BPLR) and other charges applicable shall be reviewed by the ALCO periodically and make suitable recommendations to the Board.

5. Review of the Policy

The Policy should be subjected to an annual review by the management and modifications, if any warranted, should be taken up for the approval of the Board. If there are any amendments in the regulations, revision in the policy should be staged for Board's approval in the immediately ensuing Board Meeting, after the amendments are notified by the regulator.