

SMFG India Home Finance Company Limited

Interest Rates, Processing and Other Charges Policy

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1 INTRODUCTION

Reserve Bank of India (RBI) vide Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, had advised Housing Finance Companies (HFCs) to have in place policy on 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 Board.

Additionally, NHB vide its circular NHB/ND (CC. No.120/03.10.136/2020-21) on “Asset Liability Management (ALM) System for HFCs – Guidelines” directed that:

- ALCO shall consider and review, inter alia, 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 shall 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 on any number of occasions, corresponding to the changes in PLR.

Keeping in view of the guidelines cited above and other applicable circulars, the following internal guiding principles on interest rates and charges are laid out by the Board of Company to be followed by the respective departments.

2 POLICY SCOPE, APPLICABILITY AND EXCEPTION

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

3 DEFINITIONS AND KEY TERM

Term used	Definition
NHB	National Housing Bank
ALCO	Asset-Liability Committee
SMHFC or The Company	SMFG India Home Finance Company Limited
HFC	Housing Finance Companies
ALM	Asset-Liability Management
PLR	Prime Lending Rate

4 POLICY PRINCIPLES

4.1 Interest Rates

- a. The company may offer floating, fixed, and semi-fixed products to the customers.
- b. The floating rate loans shall be linked to a reference rate to be termed as “Prime Lending Rate (PLR)”

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- c. The PLR of the company applicable to all the products is approved by the ALCO basis recommendation of Pricing Committee quarterly or as may be required. The interest rate range and the yield for each loan product and sub product is derived thereafter basis the PLR and approved by the Pricing Committee of the company.
- d. The PLR and rate of interest range shall be determined based on but not limited by:
- the cost of funds
 - return-on-equity
 - Liquidity Cost
 - matching tenor cost
 - market liquidity and prevailing macro-economic conditions.
 - refinance/securitization avenues
 - offerings by competition
- e. The rate of interest offered to the customers shall 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.
- f. The company has in place interest rate model whereby the rate of interest for the same product and tenor availed during the same period could differ from customer to customer depending upon the consideration of any one or combination of factors listed out under point 5 (e) above.
- g. The interest on the loan shall be calculated on a daily outstanding balance basis and computed with monthly rests or such other rests as the company decides and as approved in the Pricing Policy in conjunction with applicable rules and regulations.
- h. The annualized Interest rates which could be fixed or floating, or variable basis shall 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 shall also be made available to the customers. The sanction communication shall also indicate whether rate is fixed/floating/variable and spread over the PLR and interest reset dates, if any.

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- i. The company shall clearly communicate to the customers about the possible impact of change in PLR on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.
- j. In case the company offers both fixed and floating interest rate products, at the time of reset of interest rates, the company shall provide the option to the borrowers to switch over to a fixed rate once during the tenor of the loan.
- k. The borrowers shall also be given the choice to opt for (i) enhancement in EMI or elongation of tenor (without negative amortization) or for a combination of both options; and (ii) to prepay, either in part or in full, at any point during the tenor of the loan.
- l. All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise shall be disclosed in the sanction letter and at the time of revision of such charges/ costs by the company from time to time.
- m. The Company may consider, on a case-to-case basis, if found necessary, a moratorium for interest payment and repayment of principal with proper built in pricing.
- n. In the case of staggered disbursement, the rate of interest would be subjected to review and may vary according 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 shall be communicated to customers through the website and other suitable means of communication and are affected only prospectively.
- o. 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 shall be displayed on the website of the Company.
- p. The key interest rates on loans shall be displayed on the common notice board of the branches/offices.
- q. For Plot + construction cases, in the event of non-completion of construction,
 - a. In case Borrower(s) fails to commence the construction within 18 (eighteen) months from the disbursement of Loan amount for Construction/plot purchase, SMHFC has a right to take necessary actions based on Chief Business Officer approval.
 - b. In case Borrower(s) fails to complete the construction within 3 (three) years from the disbursement of Loan amount for Construction/plot purchase, the SMHFC shall:
 - i. convert the entire Loan into a non-housing loan as per RBI guidelines.
 - ii. charge the interest rate as applicable to non-housing loan (“NHL Interest Rate”)
 - iii. take such other measures in terms of extant RBI guidelines, as may be notified from time to time.

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The above clause shall be mentioned in the loan agreement and communicated to borrower at the time of disbursement for better transparency & understanding.

4.2 Penal Charges /Late payment charges

The Company shall collect penal charges/ late payment charges for any delay or default in making payments of any dues or non-compliance towards clauses of Most Important Terms and Conditions (“MITC”). These penal charges/ late payment charges for different products or facilities shall be reviewed and decided by the company from time to time and approved by the Pricing committee.

No claims for a refund or waiver of such charges would normally be entertained by the Company and it is the sole discretion of the Company to deal with such requests if any. Any communication for the waiver of charges to the customer for annualized rate shall be as per Delegation Matrix Process.

The company shall not introduce any additional component to the rate of interest and ensure compliance with regulatory guidelines and there shall be no capitalization of penal charges.

The penal charges in case of loans sanctioned to ‘individual borrowers, for purposes other than business’, shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.

The company shall communicate applicable penal charges along with reminders for non-compliance.

The penal charges shall be effective from January 01, 2024, and for existing portfolio, the switchover to the penal charges regime shall be ensured on the next review or renewal date or six months from the effective date (January 01,2024), whichever is earlier.

4.3 Excessive Interest charged:

As per the recent RBI Guideline (CC. No.120/03.10.136/2020-21), the company has internal principles and procedures in determining interest rates, processing, and other charges (including penal charges, if any). In this regard, the directions in the Fair Practices Code about transparency in respect of the terms and conditions of the loans are to be kept in view. The Company shall have in place an internal mechanism to monitor the process and operations to ensure adequate transparency in communications with the borrowers.

4.4 Processing /documentation and other charges

- a. All processing, documentation, and other charges applicable or refundable (in case of non-sanction/disbursal) to be decided by the company and approved by the Business Head and CBO or Pricing Committee of the Company. Such charges shall be reviewed on a time-to-time basis the market practices adopted by the peer HFC’s. Company’s loan documents shall mention all processing, documentation, and other charges applicable or refundable.

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- b. The other charges could include cheque bounce charges, pre-payment charges, part disbursement charges, cheque swap charges, commitment fees, charges on various other services like issuing No due certificate, NOC, letters ceding charge on assets/ security, security swap & exchange 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 while determining the amount of such charges. Such charges shall be part of the Facility Agreement and to be displayed on the Website of the Company.
- c. Besides the above charges, GST is to be collected from the customers at applicable rates from time to time and remitted to the concerned government department.
- d. The Company shall not impose foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-borrowers). The company shall not impose foreclosure charges/ pre-payment penalties on any fixed rate term loan where the customer is paying from own funds.

5 ROLES & RESPONSIBILITIES

Stakeholder	Roles and Responsibilities
Treasury	Placing all the notes related to PLR
Sales/Product	Placing all the notes related to spreads and charges
Credit	Sanction communication to customers
Customer Service	Customer communications at branches/offices
Sales/Product	Placing polices and data at website
Customer Communication Team	All communication related to customers