



MUTHOOT HOUSING FINANCE COMPANY LIMITED

Policy on Resolution Framework- 2.0 for Covid – 19 related stress

Recommended by:

Chief Executive Officer

Approved by:

Board of Directors

Date of Approval:31.5.2021

Muthoot Housing Finance Company Ltd (MHFCL), which is a registered Housing Finance Company (HFC) with National Housing Bank (NHB)/ Reserve Bank of India (RBI), provides housing loans, property loans and plot finance to its customers.

MHFCL commits itself to the highest standards of transparency, compliance and fair practices while meeting the business loan needs of Housing in a timely and effective manner. It intends that ('The Company') business, be conducted in accordance with the prevailing statutory and regulatory requirements with due focus on efficiency, customer-orientation and corporate governance principles as mandated by NHB/RBI.

The resurgence of Covid-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. As a measure to alleviate the potential stress the RBI has come with Resolution Framework 2.0. The RBI has decided to provide a window to implement a resolution plan in respect of eligible Individual Borrowers and small businesses while classifying such exposures as Standard, subject to specified conditions. These set of measures are broadly in line with the contours of the Resolution Framework - 1.0 with suitable modifications.

The RBI vide its circular no. DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021, has provided a Framework for implementation of resolution plans for addressing the economic fallout due to the COVID-19 pandemic which has led to significant financial stress for borrower(s).

This resolution framework permits MHFCL to re-assess the repayment capabilities of its borrowers and provide rescheduled terms to such existing loans which fall within the eligibility criteria of the Circular and approved policies.

A. Objectives of the policy

The objective of this policy is to offer resolution framework for customers who have been adversely affected by the COVID – 19 pandemic.

B. Resolution of advances to individual and small business

MHFCL is permitted to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard upon implementation of the resolution plan subject to meeting the eligibility conditions as mentioned in this policy.

1. **Eligible Borrowers:** For the purpose of resolution plan under this Policy, the following borrowers are eligible for the window of resolution invoked by MHFCL:
-

- A) Individuals who have availed of personal loans (as defined in the Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018 on “XBRL Returns – Harmonization of Banking Statistics”), excluding the credit facilities provided by MHFCL to its own personnel/staff.
 - B) Individuals who have availed of loans and advances for business purposes and to whom MHFCL has aggregate exposure of not more than Rs.25 crore as on March 31, 2021.
 - C) Small businesses, including those engaged in retail and wholesale trade, other than those classified as micro, small and medium enterprises as on March 31, 2021, and to whom the MHFCL has aggregate exposure of not more than Rs.25 crore as on March 31, 2021.
2. The following categories of borrowers / credit facilities were not eligible for a resolution plan vide circular DOR. No. BP. BC/3/21.04.048/2020-21 dated August 6, 2020 and therefore continue to be not eligible for a resolution plan under this framework as hitherto.
 - (i) Exposures to financial service providers
 - (ii) Exposures to Central and State Governments; Local Government bodies (e.g. Municipal Corporations) and body corporates established by an act of parliament/state legislature.
 3. The borrower accounts in order to be eligible under this resolution framework, should not have availed of any resolution in terms of the Resolution Framework 1.0 except where the tenor extension offered was lower than 2 years at time of resolution under framework 1.0.
 4. Any resolution plan implemented in breach of the stipulations of the circular shall be fully governed by the Prudential Framework for Resolution of Stressed Assets issued on June 7, 2019 (“**Prudential Framework**”), or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable.
 5. The reference date for the outstanding amount of debt that may be considered for resolution shall be March 31, 2021.
 6. The credit facilities / investment exposure to the borrower was classified as Standard by MHFCL as on March 31, 2021.

Date of invocation: The date of invocation means the date on which both the borrower and MHFCL agree to proceed with the efforts towards finalizing a resolution plan to be implemented for such Eligible Borrower in terms of this Policy. However, in no case the date of invocation shall be later than September 30, 2021.

C. Features of Resolution plan

1. Only those borrower accounts shall be eligible for resolution under this framework which were classified as standard as on March 31, 2021.
2. The resolution process under this window shall be treated as invoked when MHFCL and the borrower agree to proceed with the efforts towards finalizing a resolution plan to be implemented.
3. The resolution plans implemented under this window may inter alia include rescheduling of

payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose.

4. The moratorium period, if granted, may be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan. The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years.

D. Implementation of resolution (“Date of implementation”)

The resolution plan shall be finalized and implemented within 90 days from the date of invocation of the resolution process under this window. A restructuring of loan would be treated as implemented upon fulfilment of all of the following conditions:

- a) All related additional documentation, including execution of necessary agreement(s), between MHFCL and Eligible Borrower and collaterals provided, if any, are completed in accordance with the resolution plan being implemented;
- b) The new loan amount and/ changes in the terms and conditions of the existing loan account get duly reflected in the books of accounts of the MHFCL;
- c) borrower is not in default with MHFCL as per the revised terms.

E. Procedure for applying for restructuring

The borrowers who wish to avail the loan restructuring facility can visit our nearest branch and submit an application in the prescribed format along with the copy of the documents mentioned therein. The borrowers can also submit the applications along with the prescribed documents to mhflcustomercare@muthoot.com [Please refer Annexure I for loan application].

F. Due Diligence Process

The Company on receipt of a written request application/email from the Eligible Borrower, shall evaluate the proposal for restructuring of the loan account including evaluation of necessary documents. On due evaluation of the request submitted by the Eligible Borrower, the concerned team of the MHFCL shall execute with the Eligible Borrower necessary amendment agreement or other necessary documents in order to record the revised terms and implement viable resolution plan.

G. Grievance Redressal of Borrowers

If the customer is still not satisfied with the resolution, or has not received any response within the stipulated time of 60 days he can raise a complaint with grievance Redressal Officer at

Toll free No : 18001021616 [Time : 9:30am to 6 pm (Mon to Sat except public Holidays)]
Email ID : mhflcustomercare@muthoot.com

H. Asset classification and provisioning

1. If a resolution plan is implemented in adherence to the provisions of this circular, the asset classification of borrowers' accounts classified as Standard may be retained as such upon implementation, whereas the borrowers' accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the resolution plan.
2. The subsequent asset classification for such exposures will be governed by the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to specific category of lending institutions ("extant IRAC norms") i.e. Master Direction – Non-Banking Finance Company – Housing Finance Company (Reserve Bank) Direction, 2021.
3. In respect of borrowers where the resolution process has been invoked, MHFCL is permitted to sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower. This facility of additional finance may be classified as 'Standard' till implementation of the plan regardless of the actual performance of the borrower in the interim. However, if the resolution plan is not implemented within the stipulated timelines, the asset classification of the additional finance sanctioned will be as per the actual performance of the borrower with respect to such additional finance or performance of the rest of the credit facilities, whichever is worse.
4. MHFCL shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the renegotiated debt exposure of MHFCL post implementation (residual debt). Residual debt, for this purpose, will also include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.
5. Half of the above provisions may be written back upon the borrower paying at least 20 per cent of the residual debt without slipping into NPA post implementation of the plan, and the remaining half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently.
6. Provided that in respect of exposures other than personal loans, the above provisions shall not be written back before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium.
7. The provisions required to be maintained under this window, to the extent not already reversed, shall be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA.

I. Convergence of the norms for loans resolved previously

1. In cases of loans of borrowers specified in para B1 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plans had permitted no moratoria or moratoria of less than two years and / or extension of residual tenor by a period of less than two years. MHFCL is permitted to use this window to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps as specified above, and the consequent changes necessary in the terms of the loan for implementing such extension. The overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be two years.
2. For loans where modifications are implemented in line with this clause, the instructions

regarding asset classification and provisioning shall continue to be as per the Resolution Framework 1.0.

J. Disclosure and Credit Reporting:

1. **Disclosure in the financial statements:** The Company shall make appropriate disclosures about the restructured accounts in terms of this Policy in its annual financial statements under the “Notes to Accounts” as applicable.
2. **Credit reporting by the Company:** The restructuring of loan granted to the Eligible Borrowers under this Policy will be treated as new restructured loan account and shall reflect the “restructured due to COVID-19” status of the account. The credit history of the Eligible Borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured.

K. Miscellaneous:

1. **Display on website:** The Board approved policy on restructuring of stressed assets shall be sufficiently published and made available on the Company’s website for customer’s information and benefit.
2. **Review of policy:** The Policy shall be reviewed as and when required by the applicable rules and regulations.

While Policy outlines the broad internal guidance that the Company will follow to take decisions regarding this restructuring of stressed assets/loan, the Company retains the discretion to take decisions regarding this Policy depending on case specific issues or nuances. The Company reserves the right to amend the Policy within the framework of RBI guidelines.

Annexure I

APPLICATION FOR LOAN RESTRUCTURING

1. Name of Applicant(s):

2. PAN of Applicant(s): _____

3. Loan Account Number for Restructuring: _____

4. Registered Mobile Number: _____

5. Registered Email ID: _____

6. Reason for Income Disruption:

7. Plan for Repayment of Loan:

Declaration: I/We hereby certify that all information furnished by me/us is true, correct and complete to the best of my/our knowledge and belief. I/We shall furnish all other information that may be required by Company in connection with my/our application. The information may also be exchanged by you with any agency you may deem fit. You, your representatives or any other agency as authorized by you, may at any time, inspect/ verify my/our assets, books of accounts etc. in my/our factory/business premises. You may take appropriate safeguards/action for recovery of Muthoot Housing Finance Company Limited's dues.

Signature

Name:

Place:

Date:

You are required to submit the application form along with below documents giving details about the current status of your employment or business along with PAN Card self-attested photocopy with the form.

Salaried	Self Employed
<ul style="list-style-type: none">• Up-to-date salary slips from March 2020• Up-to-date bank account statement from March 2020 for the account in which salary is credited• Proof of income disruption	<ul style="list-style-type: none">• Bank account statement for previous 12 months• ITR/Balance Sheet and P&L Account• Any other Income documents• Proof of income disruption

Acknowledgement

Please Note that:

1. This is only an acknowledgement for having received the application and this should not be construed as an indication of our acceptance of the proposal, a decision on which will be taken only after due consideration of the proposal on its merit and / or on fulfilment of conditions if any, that may be stipulated by the Company.
2. The application will be taken up for consideration only after all the particulars / data / documents as may be required are received by the Company.
3. The application will be disposed of within 15 days from the date of receipt of all the details /papers/documents /clarifications sought by the Company.
4. In case the proposal is rejected/not considered the reasons for the same will be intimated to the applicant.

Loan Number: _____ **Application Received**

Signature & Stamp

Muthoot Housing Finance Company Limited
