HINDUJA
HOUSING FINANCE

DOCUMENT SUMMARY

Document Title	**INTEREST RATE POLICY**
Current Version	V 4.0
Effective from	4th November 2024
Document Owner	CFO
Approval	Board of Directors
Other applicable regulations / policies	• *Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 RBI/2020-21/73 DOR. FIN. HFC. CC. No.120/03.10.136/2020-21* • *Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023RBI/DoR/2023-24/106 DoR.FIN.REC.No.45/03.10.119/2023-24* • ***HHF Policies:*** *Policy on Fair practices code, Policy on Penal Charges, ALM Policy*
Annexures / Supporting Documents	N/A

VERSION CONTROL:

Version no	Particulars	Approval & Effective date
1.0	New policy	11th February 2019
2.0	Amended	17th March 2023
3.0	Amended in line with: • Compliance with RBI circular on Reset of Floating Rate interest loans dated August 18, 2023 • Compliance with RBI circular on Fair Lending Practices – Penal Charges in Loan Accounts dated August 18, 2023 • Reset of PLR	1st November 2023
4.0	Amended	4th November 2024
4.0	Annual Review	1st November 2025

1. BACKGROUND

Keeping in view the RBI/NHB guidelines and the good governance practices, the Company had adopted the following internal guidelines, policies, procedures and interest rate model for its home finance business.

The key tenets of the interest policy are as under;

A) Prevention of charging of excessive interest rates by HFCs /FIs/ Banks
B) The need for adoption of an interest rate model along with approach for gradations of risk & rationale for charging differential rates
C) Disclosure of rates of interest, changes thereof and publicity thereto
D) Adoption of annualized rates of interest while dealing with customers.

These need to be taken cognizance of while determining interest rates and other charges, and changes thereto.

2. METHODOLOGY

The average yields and the rate of interest is decided from time to time, giving due consideration to the following factors;

- The cost of funds on the borrowings, as well as costs incidental to those borrowings, taking into consideration the average tenure, market liquidity and refinancing avenues etc

- Operating cost in the business and maintaining the stakeholder's expectations for a reasonable, market-competitive rate of return

- Inherent credit and default risk in our business, particularly trends with sub-groups / customer segments of the loan portfolio

- Nature of lending

- Nature and value of securities and collateral offered by customers

- Subventions and subsidies available, if any, from the developer

- Risk profile of customer - professional qualification, stability in earnings and employment, financial positions, past repayment track record with us or other lenders, external ratings of customers, credit reports, customer relationship, future business potential etc.

- Industry trends - offerings by competition

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3. INTEREST RATE POLICY FOR HOME / MORTGAGE FINANCE BUSINESS

- The company shall adopt a discrete interest rate policy which means that the rate of interest for same product and tenure availed during the same period by separate customers would not be standardized but could vary within a range, depending, amongst other things, the factors mentioned above. In case of any deviations required from the interest rate pricing structure, approval would need to be obtained from either the chief operating officer or the managing director.

- The Company shall disclose the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers in the application form and communicate explicitly in the sanction letter.

- The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the companies or published in the relevant newspapers. The information published in the website or otherwise published would be updated whenever there is a change in the rates of interest.

- The interest re-set period for floating / variable rate lending would be decided by the company from time to time, applying the same decision criteria as considered for fixing of interest rates.

- The interest rates offered could be on fixed basis or floating / variable basis as per the customer's requirement. The company would prefer to offer floating rates to customers in the interest of having a win-win for both the customer and the company, since the borrowing cost for the company is subjected for yearly revision.

- Wherever the customer requests for a fixed rate offer, the company would extend a loan up to three years on a fixed rate basis. However, in the event of a customer foreclosing the loan during the fixed rate tenure of the loan, the customer would be charged a foreclosure fee up to 3% of the outstanding loan amount, in compliance with applicable regulatory guidelines.

- At the time of reset of HHFPLR, the customer with a floating rate loan would have the option to switch to fixed rate basis at the revised interest rate plus minimum 0.50%, in order to mitigate potential interest rate risk arising out of future volatility in the components of HHFPLR during the remaining tenure of the loan. This facility will be available upon payment of switch fee of up to 3.00% of the loan amount outstanding, plus applicable taxes, subject to the condition that the customer has been paying its PREEMI / EMIs on time for the past 18 months or from the due date of the customer's first EMI / PREEMI, whichever duration is shorter.

- A customer may choose to switch from floating rate to fixed rate basis or vice-versa a maximum of two times during the tenure of a loan, upon payment of swift fee of up to 3.00% of the loan amount outstanding, plus applicable taxes, subject to the condition that the customer has been paying its PREEMI / EMIs on time for the past 18 months or from the due date of the customer's first EMI / PREEMI, whichever duration is shorter.

- Wherever the customer requests for a reduction in the interest rate on a floating rate loan on the basis of competing sanctions available from other lenders, the company could approve a reduction in the floating interest rate, upon the payment of the switch fee of up to 0.50% on the loan amount outstanding by the customer, plus applicable taxes, subject to the condition that the customer has been paying its EMIs on time for the past 18 months.

- The Interest Rate Policy and changes in interest rates would be reviewed at annual intervals. Certain components of the interest rate may be revised at shorter intervals depending upon market volatility and competitor review.

- Annualized rate of interest would be intimated to the customer

- Besides normal interest, the company may levy penal charges for any delay or default in making payments of any dues. The Company shall not levy penal interest and shall not add to the rate of interest in lieu of levying any penal interest, i.e. there will not be any capitalization of penal charges. The Company shall mention the penal charges in bold in the loan agreement.

- Interest would be charged, and recovered at monthly rests. Specific terms in this regard would be addressed through the relevant product policy.

- Interest rates would be intimated to the customers at the time of sanction / availing of the loan and the EMI apportionments towards interest and principal dues would be made available to the customer.

- Interest shall be deemed payable immediately on due date as communicated and no grace period for payment of interest is allowed.

- Interest changes would be effective from a specific date and intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents.

- Besides interest, other financial charges like processing fees, cheque bouncing charges, pre-payment/ foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the company wherever considered necessary. Besides the base charges, the service tax and other cess would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. A suitable condition in this regard would be incorporated in the loan agreement. These charges would be decided upon collectively by the management of the Company.

- The practices followed by competitors would also be taken into consideration while deciding on interest rates / charges.

- Interest rate models, base lending rate and other charges, and their periodic revisions are made available to our prospective and existing customers through our offices and branches. Prior to entering into an agreement with our customers, we provide them with our statement of charges and interest and address their queries and questions on the same, to their satisfaction. Our loan officers ensure charges and rates of interest are explained clearly and transparently to the people who may be interested in our products.

- In case of staggered disbursements, the rates of interest would be subjected to review and the same may vary according to the prevailing rate at the time of successive disbursements or as may be decided by the company.

  Claims for refund or waiver of such charges/ penal interest / additional interest would normally not be entertained by the company and it is the sole and absolute discretion of the company to deal with such requests

4. COMPONENTS CONSIDERED FOR CALCULATION OF INTEREST RATES

- Weighted Average Cost of Borrowings (MCLR reviewed at predetermined intervals in line with the bank's review of respective MCLR).
- Liquidity premium based on the premium associated with raising liquidity depending on the prevailing market conditions and levels of systemically available liquidity.
- The Overhead and Cost of Operations based on the operating costs incurred during the latest completed financial year.
- Average Risk Premium based on the average impairment expense across all asset classes of the company incurred during the latest completed financial year.
- The first component as mentioned above would largely impact HHF PLR. Pricing of loans to customers would vary on a case-to-case basis, depending on the merits of each individual case which would be evaluated separately in detail during the underwriting process. The parameters which predominantly influence the pricing of loans include, but are not limited to, the risk profile of the customer, asset class (housing loan / non housing loan), asset type (new/existing), associated operating cost parameters (depending on the ticket sizes of loans and geographic factors) and prevalent liquidity conditions.