CENTRUM HOUSING FINANCE LIMITED

Policy for Determining Interest Rates and Charges

Document Title	Policy for Determining Interest Rates and Charges
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POLICY FOR DETERMINING INTEREST RATES AND CHARGES

A) BACKGROUND, OBJECTIVES AND APPLICATION

1. Introduction and Background

Centrum Housing Finance Limited ("Company" or "CHFL"), being a Housing Finance Company ("HFC"), is required to comply with the 'Fair Practice Code' prescribed by the Reserve Bank of India ("RBI") under the "Non-Banking Financial Company- Housing Finance Company (Reserve Bank) Directions, 2021" ("RBI HFC Directions") as amended from time to time.
As per the 'Fair Practice Code' prescribed by the RBI, the Board of Directors of each HFC is required to adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The RBI HFC Directions further prescribe that HFCs should lay out appropriate internal policies/ principles and procedures in determining interest rates, penal charges, processing, and other charges.

In accordance with the latest directions on the Fair Practice Code prescribed by the RBI, the Company has formulated this Policy for Determining Interest Rates and Charges ("**Policy**") for adoption with the approval of its Board of Directors ("**Board**").

2. Objective of the Policy

The objective of the Policy is to define guidelines for determining interest rates, penal charges, administrative fee, sourcing fee, documentation fee and other charges which may be applicable with respect to various loan facilities provided by the Company.

3. Application of the Policy

This Policy shall be applicable to various loan/ credit facilities provided by the Company.

B) POLICY FOR DETERMINATION OF INTEREST RATES

4. Benchmark Reference Rate of Interest of the Company

4.1. The Company shall have a Benchmark Reference Rate of Interest which may be termed Centrum Housing Finance Reference Rate ("**CHFRR**"). The current CHFRR shall be published on the Company's website.

4.2. With the approval of this Policy, the Asset Liability Management Committee of the Company ("**ALCO**") shall have authority to review/ revise the CHFRR as and when deemed fit by it in accordance with the requirements prescribed by the RBI.

4.3. The CHFRR shall be reviewed periodically by the ALCO depending on market conditions and other factors which are relevant to the Company. Based on such review, the ALCO may approve revision of the CHFRR as and when deemed necessary.

4.4. The Board/ ALCO, while fixing/ reviewing the CHFRR, shall consider the following aspects primarily:

(a) Cost of Borrowing/ Incremental Cost of Borrowing.
(b) Expected Return on Equity.
(c) Operating Cost.

(d) Provisioning Requirements.

(e) Other factors such as customer acquisition strategy, business objectives, market opportunities, competition etc.

4.5. The Company may sanction housing/ non-housing loans at a fixed interest rate basis or a floating interest rate basis or combined interest rate basis.

4.6. The loans on a floating rate basis shall be benchmarked to the CHFRR of the Company.

4.7. The CHFRR shall also act as an indicator for deciding fixed interest rates to be offered by the Company.

4.8. Disclosure of Annualized Interest Rate- The Company, through the Loan Agreement/ Sanction Letter, shall disclose annualised interest rate to its borrowers so that its borrowers are aware of exact interest rates that would be charged.

5. Rationale for Charging Different Interest Rates to Different Types of Borrowers

The Company may offer/ charge different rate of interest to different borrowers based on gradation of risks perceived based on the following factors:

(a) Profile of customer including nature of employment, business vintage, repayment capacity of the borrower etc.

(b) Repayment track record of the borrower.

(c) Internal/ external credit rating or score the borrower(s).

(d) End use of the loan.

(e) Security cover including security margin/ value.

(f) Type of loan product.

(g) Additional costs, such as additional cost of capital, additional credit cost, operational cost etc., if any; and

(h) Any other reasons relating to a specific loan such as competitive reasons.

6. Authority to Approve Final Pricing Grid and Applicable Interest Rates

The Managing Director (MD) /CEO of the Company shall have authority to approve range of interest rates for various type of loans and, also, interest rate applicable to any of the borrowers of the Company based on the CHFRR approved by the ALCO. Further, the MD/CEO shall also have authority to delegate his such authority/ powers to any official of the Company.

7. Policy Guidelines with respect to Reset/ Revision of Floating Interest Rate

(a) For a loan at floating interest rate, the Company, through sanction letter, shall inform the borrower about the possible impact of change in benchmark CHFRR on the loan leading to changes in EMI and/or tenor or both.

(b) Subsequently, any change in the EMI and/ or tenor or both aspects of the loan facility shall be communicated to the borrower through appropriate channels as and when such changes happen.

(c) On revision of the floating interest rate, the borrowers shall be given the choice to opt for:

(i) enhancement in EMI or elongation of tenor or for a combination of both options;

(ii) prepay, either in part or in full, at any point during the tenor of the loan subject applicable foreclosure charges/ pre-payment penalty; and

(d) Further, at the time of revision of its floating interest rates, the Company shall provide option to its borrowers of switching from a floating interest rate to a fixed interest rate.

(e) The Company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.

(f) The Company shall share/ make accessible to the borrowers, through appropriate channels, statement/ information with respect to principal and interest recovered, EMI amount, number of EMIs left, annualised interest rate etc. as per the regulatory requirements.

(g) The Company shall ensure that the statements/ information provided to the borrowers are simple and understandable as much as possible.

8. Switching/ Repricing of Interest Rates

In addition to providing the option to its borrowers on a floating interest rate to switch over to a fixed interest rate at the time of reset of floating interest rates, the Company, in order to retain its credit worthy borrowers may offer an option to its existing borrowers to reprice/ revise the applicable interest rate on their loans in accordance with the 'Customer Retention Policy' adopted by it.

Further, as part of relief on account of un-foreseen hardships/ conditions due to natural calamity, pandemic or adverse social or economic factors, the Company may offer an option to its existing borrowers to reprice/ revise the applicable interest rate subject to extant regulatory prescriptions, applicable from time to time.

A borrower may be provided option to switch over from a floating interest rate to a fixed interest rate or vice-versa or repricing of interest rate maximum up to three times during entire tenor of the loan. If a customer opts for switching over from a floating rate to a fixed rate or vice versa or for repricing of the rate, the customer may be charged with a fee for such switching/ repricing as may be decided by the approving authority in accordance the authority matrix approved by the MD/CEO of the Company.

9. Re-set of Interest Rate of a Loan Eligible under NHB Refinance or any Government Scheme

If any Government Scheme or the NHB Refinance Scheme, which the Company may avail, prescribes some cap on interest rates to be charged to the borrowers and requires repricing of existing interest rates then the interest may be revised for the eligible pool of customers so that the benefits of such Government Scheme or the NHB Refinance Scheme are made available to such eligible borrowers.

C) POLICY FOR PENAL CHARGES, PROCESSING FEE, PRE-PAYMENT CHARGES AND OTHER FEES/ CHARGES

10. The Company, from time to time, may levy various types of fees/ charges to its borrowers for processing of loans or providing different types of services or as penalty for committing default/ non-compliance with the terms and conditions of the loan by a borrower.

11. Authority to Define Various Types of Fees and Charges

The types of various fees/ charges including Penal Charges, Processing Fee, Pre-payment Charges, Login Fee, Administrative Charges etc. and quantum of such fees/ charges which may be levied by the Company shall be decided/ reviewed with the approval of the MD/ CEO of the Company. The MD/CEO may also delegate his powers to any official of the

Company.

12. Levy of Penal Charges

(a) To encourage borrowers for prompt and timely repayment of installments and to deter them against intentional delinquency, penal charges may be levied by the Company. Such penalty for non-compliance of terms and conditions of the loan agreement by a borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest'. The penal charges shall not be added to the rate of interest charged on the advances.

(b) The penal charges shall be mentioned in bold in the loan agreements.

(c) Such penal charges may be settled at much lower rates or waived as per the authorization/ waiver matrix approved by the MD/CEO of the Company depending on the merits of a case.

(d) There shall be no capitalisation of penal charges. However, the Company shall have the right to apply compounding of interest in the loan account as per the terms and conditions of the loan.

(e) The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.

(f) 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.

(g) The quantum and reason for penal charges shall be clearly disclosed by the Company to the customers in the loan agreement and the document containing most important terms & conditions, in addition to being displayed on the Company's website under Interest rates and Service Charges.

(h) Whenever, the Company sends reminders to borrowers for non-compliance of material terms and conditions of loan, the applicable penal charges shall also be communicated. Further, any instance of levy of penal charges and the reason thereof shall also be communicated by the Company.

13. Pre-payment charges

(a) The Company, on pre-closure/ part-payment of the loan, may levy pre-payment/ foreclosure penalty or part- payment charges as may be decided/ reviewed with the approval of the MD/CEO of the Company, subject to the regulatory requirements applicable from time to time.

(b) Such pre-payment/ foreclosure penalty or part- payment charges may be levied at lower rates or waived as per the authorization/ waiver matrix defined by the MD/CEO of the Company depending on the merits of a case. The MD/CEO shall have power to delegate his authority to any official of the Company.

14. Login Fee, Processing Fee, Administrative Charges, Documentation Fee and other Charges

(a) The Company may charge Login Fee, Processing Fee, Administrative Charges, Documentation Fee or levy any other fee/ charges to recover the operating expenses incurred by the Company such as the expenses incurred during sourcing the loan, incentive pay-out, due diligence, credit underwriting activities, customer service etc.

(b) To ensure that such charges/ fees are non-discriminatory, the Company shall have defined and transparent parameters for levying such charges to different categories of borrowers.

(c) These charges shall be decided/ reviewed with the approval of the MD/CEO of the Company. The MD/CEO may also delegate his powers to any official of the Company.

D) DISCLOSURE AND TRANSPARENCY

15. The Company shall transparently disclose to borrowers all information about interest rate, fees/ charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned/ disbursed, pre-payment options and charges, if any, penalty for delayed repayment if any, conversion charges for switching loan from fixed to floating rates or vice-versa, existence of any interest reset clause and any other matter which affects the interest of the borrower.

16. The Company shall provide information on interest rates, common fees and charges through any one or more of the following mediums:

(a) Through telephone/ helplines;

(b) Communication through digital/ electronic mode like SMS, e-mail, WhatsApp, digital link etc.

(c) The Company's website.

(d) Letters to its customers;

(e) Putting up notices at all the Company's branches;

(f) Through designated staff / helpdesk.

17. In case of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges, other applicable fee/ charges etc., the Company shall inform the borrowers through any of the mediums stated above. All the changes in interest rates and various charges shall be effected prospectively.

E) APPROVAL AND REVIEW OF THE POLICY

18. The Policy shall require approval of the Board of Directors for adoption by the Company. The Policy shall be reviewed as and when required by the applicable rules and regulations or as per the Company's internal requirements.

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