

CENTRUM HOUSING FINANCE LIMITED

POLICY ON CO-LENDING MODEL

Document Title	**Policy on Co-lending Model**
Approved by	**Board of Directors on 12th March, 2021 by way of Circular Resolution**
Date of latest release	**6th May 2025**

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Introduction

Centrum Housing Finance Limited ("CHFL") in compliance with RBI circular no RBI/2020-21/63 FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dated November 05, 2020 (superseding the earlier circular FIDD.CO.Plan.BC.08/04.09.01/2018-19 dated September 21, 2018) is adopting the following policy on Co-lending Model ("CLM").

As per RBI guidelines all banks and NBFCs (including HFCs) shall frame board approved polices for entering into the CLM and place the approved policy on their websites.

Eligibility

- In terms of the RBI circular, only Scheduled Commercial Banks, excluding foreign banks (including WOS) with less than 20 branches can claim priority sector status in respect of their share of credit while engaging in the CLM.

Norms of Agreement between CHFL & co-lender

- A Master Agreement shall be entered into between CHFL and the partner institutions which shall *inter alia* include, terms and conditions of the arrangement, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities as well as customer interface and protection issues
- The Master Agreement may provide for the banks to either mandatorily take their share of the individual loans, originated by CHFL in their books as per the terms of the agreement, or to retain the discretion to reject certain loans after their due diligence prior to taking in their books

Loan sharing

- The co-lending banks will take their share of the individual loans on a back to back basis in their books
- CHFL shall retain a minimum of 20 per cent share of the individual loans on its books; the percentage of retention by CHFL in all cases shall be guided by the terms of the Master Agreement

Modus operandi

Credit norms:

In accordance with mutually agreed terms with the bank

Approval norms:

CHFL shall not outsource credit decision process. Further, it shall ensure to seek approval from partnering bank via ex-ante due diligence by the bank in all cases where the Master Agreement entails a prior, irrevocable commitment on the part of the bank to take into its books its share of the individual loans originated by CHFL.

If the bank can exercise its discretion regarding taking into its books the loans originated by CHFL as per the Master Agreement, the arrangement will be akin to a direct assignment transaction with the exception of Minimum Holding Period ("MHP") which shall not be applicable in such transactions

undertaken in terms of CLM. The MHP exemption shall be available only in cases where the Master Agreement contains a back-to-black clause and complies with all other conditions stipulated in the guidelines for direct assignment.

Interest rate:

- CHFL and the partnering bank shall have the flexibility of pricing their part of exposure in accordance with internal pricing strategies, however, the ultimate borrower shall be charged an all-inclusive interest rate
- Upon repayment, the interest shall be shared between CHFL and the bank in proportion to their share of credit and interest

Fund management:

- The co-lending banks and CHFL shall maintain each individual borrower's account for their respective exposures. However, all transactions (disbursements/repayments) between the banks and CHFL shall be routed through escrow mechanisms maintained with the respective banks in order to avoid intermingling of funds. The Master Agreement shall clearly specify the manner of appropriation between co-lenders.

Other operational aspects:

- The framework for monitoring and recovery of the loan, shall be guided as per mutually agreed terms
- CHFL along with the co-lending bank, depending on terms of agreement, shall arrange for creation of security and charge as per mutually agreeable terms
- CHFL shall adhere to the asset classification and provisioning requirement including reporting to Credit Information Companies, for its share of the loan amount
- The loans under the CLM shall be included in the scope of internal/statutory audit to ensure adherence to internal guidelines, terms of the Master Agreement, and extant regulatory requirements
- Any assignment of a loan by CHFL to a third party can be done with the consent of the co-lending bank
- CHFL shall ensure uninterrupted service to their borrowers, on boarded under the CLM till repayments of the loans even in the event of termination of the Master Agreement.

Provisioning:

- In the event of default, provisions shall be made in the books of CHFL for CHFL's share as per the provisioning policy.

Customer related issues:

- CHFL shall be the single point of contact of interface for the customers and shall enter into a loan agreement with the borrower, which shall clearly contain the features of the arrangement and the roles and responsibilities of CHFL and the co-lending bank.
- All the details of the arrangement shall be disclosed to the customers upfront and their explicit consent shall be taken.
- Extant guidelines relating to customer service and fair practice code and the obligations enjoined upon the banks and CHFL therein shall be applicable *mutatis mutandis* in respect of loans given under the arrangement.
- CHFL shall generate a single unified statement of the customer through appropriate information sharing arrangements with the bank.

- With regards to grievances redressal, suitable arrangement shall be put in place by the co-lenders to resolve any complaint registered by a borrower with CHFL within 30 days, failing which the borrower would have the option to escalate the same with the concerned Banking Ombudsman/Ombudsman for NBFCs or the Customer Education and Protection Cell (CEPC) in RBI.

The Managing Director/CEO is authorized to take appropriate decisions and actions in the effective implementation of the policy.