

## **POLICY ON RESTRUCTURING OF STRESSED ASSETS**

### **1. BACKGROUND**

Ummeed Housing Finance Private Limited (hereinafter referred to as “the Company” or “HFC” or “Lender”) is a Private Limited Company incorporated under the provisions of the Companies Act, 2013 and registered as a Housing Finance Company (“HFC”) with the National Housing Bank (“NHB”).

The Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019 dated June 7, 2019 (“Prudential Framework”) provides a principle-based resolution framework for addressing borrower defaults under a normal scenario.

The economic fallout on account of the Covid-19 pandemic has led to significant financial stress for borrowers across the board. The resultant stress can potentially impact the long-term viability of many firms, otherwise having a good track record under the existing promoters, due to their debt burden becoming disproportionate relative to their cash flow generation abilities. Such widespread impact could impair the entire recovery process, posing significant financial stability risks.

Considering the above, RBI on August 06, 2020, vide its circular no. RBI/2020-21/16 DOR. No. BP. BC/3/21.04.048/2020-21 has released guidelines for Lending Institutions (including HFCs) on implementation of resolution framework for COVID-19 related stress, which provides a special window to RBI’s said directions on Prudential Framework to the eligible borrowers for repayment of their loan by way of restructuring the loan or extending the tenure for repayment of the debt.

### **2. OBJECTIVES**

The objective of the Policy is to facilitate the eligible Borrowers to avail resolution framework provided by the RBI, invocation and implementation of approved resolution plans, asset classification or reclassification and provisioning in the books of the Company.

### **3. TERMS AND DEFINITIONS**

For the purposes of this policy, the below terms shall have the meaning as provided hereinunder:

<b>TERM</b>	<b>DEFINITION</b>
<b>BOARD</b>	The Board shall mean the Board of Directors or any authorized committee(s) of the board of the Company.
<b>COVID-19</b>	Coronavirus Disease or COVID-19 is an infectious disease, which was declared as a global pandemic by World Health Organization on 11 March 2020.
<b>DATE OF INVOCATION</b>	“Date of Invocation” shall be the date on which both the borrower and lending institution have agreed to proceed with a resolution plan under this framework.

<b>DATE OF IMPLEMENTATION</b>	“Date of Implementation” shall not be later than 90 days from the date of invocation.
<b>ELIGIBLE BORROWER</b>	For resolution plan under this Policy, eligible borrower shall mean the Borrower, whose: <ul style="list-style-type: none"> <li>• account is stressed only due to Covid-19 and in respect of whom the Company is willing to consider the resolution under this Policy;</li> <li>• account was classified as standard, but not in default for more than 30 days with the lending institution as on March 1, 2020;</li> </ul>
<b>NON-ELIGIBLE BORROWER</b>	Credit facilities provided by lending institutions to their own personnel/staff shall not be eligible for resolution under this framework.
<b>PERSONAL LOANS</b>	“Personal Loan” refers to loans given to individuals and consist of (a) consumer credit, (b) education loan, (c) loans given for creation/enhancement of immovable assets (e.g., housing, etc.), and (d) loans given for investment in financial assets (shares, debentures, etc.), but does not include: <ul style="list-style-type: none"> <li>o “Loan Against Property” loans which are availed for business purpose but are secured by immovable assets, and</li> <li>o Loans granted to individuals where the property is in name of individual and a related company/non individual entity has been taken as co-borrower on the loan structure to supplement the income for repayment of loan.</li> </ul>
<b>STANDARD ASSETS</b>	Standard asset shall mean the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business.

#### **4. ELIGIBILITY FOR RESOLUTION UNDER THIS POLICY**

The Company shall take into consideration only the Eligible Borrowers for the purpose of considering and implementing the resolution plans. However, it is necessary that the Eligible Borrower’s account is classified as Standard Asset as on the Date of Invocation (i.e., moratorium period if granted under the dispensation of RBI’s Covid19 Regulatory Framework, shall not be counted as a period of default).

Keeping in view the RBI guidelines issued from time to time, the Board will consider and provide suitable resolution/restructuring plans for the Eligible Borrowers, provided the same shall not exceed a total moratorium period of two years from the date of original maturity of the personal loans/credit facility.

## 5. RESOLUTION PLAN

The resolution plans may inter alia include rescheduling of payments, conversion of any interest accrued, or to be accrued, into another credit facility, or, granting of moratorium, based on an assessment of income streams of the borrower, subject to a maximum of two years.

Correspondingly, the overall tenor of the loan may also get modified, commensurately.

The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.

**Options under Resolution Plan:** Following options or any mix thereof as permissible within the ambit of framework of RBI guidelines / NHB Circulars or Directions may be offered to Eligible Borrowers:

Option 1 – Extension of loan tenor by 2 years giving EMI amount relief to the customer for 24 months; or

Option 2 – “Interest only” repayment option to the customer for 12 to 24 months giving relief on EMI amount; or

Option 3 – Step up/ ballooning EMI option, charging partial EMI to the customer for 6/ 12/ 24 months and adding up balance payable to come up with revised amortization schedule post 6/ 12/ 24 months; or

Option 4 – Extension of moratorium by 1 – 24 months as allowed under the RBI’s framework.

## 6. PROCESS

The Eligible Borrowers’ accounts should continue to be classified as “Standard” till the date of invocation of resolution under this framework.

Resolution under this framework may be invoked not later than December 31, 2020 and must be implemented within 90 days from the date of invocation. However, the lending institutions should strive for early invocation.

Further conditions are:

- Completion of all related documents including execution of agreements/ providing collaterals;
- Books of the lending institutions shall start reflecting changing of terms & condition of loans; and borrower is not in default with the lending institution as per the revised terms.

## 7. TIMELINES FOR RESOLUTION

The resolution plan for the Eligible Borrower account under this Policy shall be invoked latest by December 31, 2020 and must be implemented within 90 (Ninety) days from the Date of Invocation.

For example: If Resolution Plan invoked for any an account of December 31, 2020, then implementation shall be completed within 90 days of invocation date i.e. on or before March 30, 2021. Similarly, if a plan is invoked on December 15, 2020 then it shall be implemented on or before March 14, 2021.

## 8. IMPLEMENTATION OF RESOLUTION

A restructuring of loan would be treated as implemented upon fulfilment of all the following conditions:

1. All related documentation, including execution of necessary agreement(s), if any, between Lender and Eligible Borrower are completed;
2. 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 Lender
3. The Eligible Borrower is not in default with the Lender as per the revised terms and conditions.

## 9. 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 personal loan account(s) including evaluation of necessary documents.

Only on due evaluation of the request submitted by the Eligible Borrower, the concerned team of the Lender 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(s), as provided in Section 8 above for **Implementation of Resolution**.

## 10. ASSET CLASSIFICATION AND PROVISIONING

**Additional finance to borrowers:** Additional finance to borrowers if sanctioned before implementation of the plan to meet the interim liquidity requirement may be classified as ‘**standard asset**’ till implementation of the plan, regardless of performance of the borrower. In case resolution plan is not implemented within timelines, additional finance sanctioned will be classified as per actual performance of the borrower.

**Reclassification of Assets:** As on date of implementation of plan, Assets those slipped in to NPA between invocation and implementation may be upgraded as Standard, when a resolution plan is implemented under this facility.

**Provisioning:** Higher of provisioning under Income Recognition norms or 10% of the renegotiated Debt exposure.

**Additional Provisions** for “Covid19 Regulatory Package - Asset Classification and Provisioning (Circular dated April 17, 2020)” to the extent not already reversed, may be utilized for meeting the provision requirements in all cases under this facility.

## 11. PRUDENTIAL NORMS

**Disclosure in the Financial Statement:** 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” and also required to publish in **quarterly statement** (for March 31, 2021, June 30, 2021 and September 30, 2021) and in **half yearly financial statements** (as on September 30, 2021 and March 31, 2022), wherever applicable till all exposures on which resolution plan was implemented are either fully extinguished or completely slips into NPA, whichever is earlier.

**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 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.

## **12. RESOLUTION FRAMEWORK FOR COVID-19-RELATED STRESS – FINANCIAL PARAMETERS**

Based on the recommendation of the Expert Committee under the chairmanship of Mr. K.V. Kamath, RBI vide its circular dated September 7, 2020 have pronounced the sector specific benchmark financial ratios to be followed in respect of resolution plan for financial exposures other than personal loans. Since, the Company does not have corporate exposure or exposure other than personal loans, the benchmark financial ratios are not being discussed in this policy.

## **13. MISCELLANEOUS**

**Display on Website:** The Board approved Policy on Restructuring of Stressed Assets will be hosted on the Company’s website for our customers information and benefit.

**Effective date:** This Policy shall be effective from the date of approval of this Policy by the Board.

**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 / NHB Circulars or Directions in this regard.

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