

Internal Principles and procedures in determining interest and other charges

National Housing Bank had vide its Circular NHB (ND)/DRS/POL-No.29/2009 dated June 2, 2009 advised that Boards of Registered HFCs to lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. This was considered in view of the several complaints NHB received regarding levying of excessive interest and charges on certain loans. Keeping in view the NHB guidelines as cited above, the following internal guiding principles and interest rate model are therefore laid out that need to be taken cognizance of while determining interest rates and other charges:

1. The interest rates for each of the loan product would be decided by empowered Committee/ Group (say ALCO) from time to time.
2. The average yield on housing and other loan products and minimum rate of interest under each product line would be decided from time to time by the empowered Committee.
3. These rates would be based on the cost of borrowed funds, matching tenor cost, market liquidity, refinance avenues, NHB policies on credit flow, offerings by competition, tenure of customer-relationship, market reputation, cost of disbursements, cost of capital required, inherent credit and default risk in the products and customer per se arising from customer segment, profile of the customers, professional qualification, stability in earning and employment, subventions and subsidies available, deviations permitted, ancillary business opportunities, future potential, group strength and value to lender group, overall customer yield, nature and value of primary and collateral securities, past repayment track record of the customers, external ratings of the customers, industry trends, switchover options, canvassed accounts etc.
4. The company shall adopt discrete interest rate model/policy whereby the rate of interest for same product and tenor availed during same period by customers would not be a standardized one but could be different for different customers depending upon consideration of any or combination of a few or all factors listed out in point 3 above.
5. The model of uniform pricing is withdrawn to align to NHB circular NHB(ND)/DRS/Policy Circular 64/2014-15 dated August 22, 2014.
6. The said profiling model would be subjected to review.
7. ALCO is authorized to review and approve periodically the profiling model and the interest rates applicable for each of the different categories arrived there under.

8. The annualized rate of interest would be intimated to the customer.
9. The interest rates would be offered on fixed, floating, variable basis. The base rate for the floating rates would be decided on periodic intervals not less than a month.
10. The interest re-set period would be decided by the company from time to time.
11. The interest would be charged generally on monthly rests.
12. Interest rates would be intimated to the customers at the time of sanction/ availing of the loan and the EMI apportionment towards interest and principal dues would be made available to the customer.
13. The interest shall be deemed payable immediately on debits and no grace period for payment of interest.
14. Besides normal interest, the company may levy additional interest for adhoc facilities, penal interest for any delay or default in making payments of any dues. The rates of additional or penal interests for different products or facilities would be decided by the respective functional / product heads.
15. Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a mode and manner deemed fit.
16. Besides interest, other financial charges like processing fees, cheque bouncing charges, pre payment charges, part disbursement charges, cheque swaps, cash handling 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 Goods and service tax would be collected at applicable rates from time to time. Any revision in these charges would be from prospective effect. These charges would be decided upon by respective product heads in consultation with Operations, Finance and legal.
17. The practices followed by other competitors in the market would also be taken into consideration while deciding the charges.
18. In case deemed fit the company may consider necessary moratorium for interest payment and repayment of principal with proper built in pricing.
19. The interest rate models, base rate and other charges applicable from time to time to be hosted on the website and updated from time to time.

20. 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 disbursements or as may be decided by the company.
21. No claims for refund or waiver of such charges/ penal interest / additional interest would normally be entertained by the company and it is the sole discretion of the company to deal with such requests if any.
22. In case the due date falls on a holiday or Sunday, it shall be deemed to fall due on the next subsequent day.
23. The features of the policy to stand auto corrected with directives/ guidelines if any from NHB from time to time.
24. The Company shall ensure that the borrowers using facility of e-payments or e-receipts are not charged any additional amount for using this facility.
25. As per Circular No. NHB(ND)/DRS/Policy Circular No 63/2014-15 dated August 14, 2014, the Company shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

The Company will abide by all guidelines, directives, instructions and advices of National Housing Bank as will be in force from time to time. The contents in this document shall be read in conjunction with these guidelines, directives, instructions and advices. The company will apply better practice so long as such practice does not conflict with or violate National Housing Bank regulations.