

INTEREST RATE POLICY



IFL HOUSING FINANCE LIMITED
{REGISTERED WITH NATIONAL HOUSING BANK (NHB)}



1. Overview

This document presents the interest rate policy of IFL Housing Finance Limited (IFL Housing) for dealing with customers for determination of pricing of loan facilities given by IFL Housing, in a transparent and open manner. It is necessary to adhere to a standard for pricing of loans to ensure that the pricing is fair and transparent.

2. Governing Law

National Housing Bank (“NHB”) vide its circular, NHB (ND)/DRS/Pol-No. 29/2009 dated Jun 2, 2009, had advised Housing Finance Companies (HFCs) to revisit their policies interest rate determination, fees and charges etc. including margin and risk premium charged to different categories of borrowers and get the same duly approved by their respective Boards.

The Reserve Bank of India (RBI) also reiterated the following points vide their latest master direction RBI/2020-21/73 DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated 17th February, 2021, duly amended from time to time as may be applicable to the company.

The Company shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges (including penal charges if any)

The Board shall 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 rates of interest and the approach for gradation of risks, and penal interest (if any) shall also be made available on the website of the companies or published in the relevant newspapers. The information published on the website or otherwise published shall be updated whenever there is a change in the rates of interest.

The company shall transparently disclose to the borrower all information about fees/ charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned/ disbursed (if any), pre-payment options and charges, if any, penal charges for delayed repayment .

In compliance with recent RBI guidelines cited above and other related circulars of NHB, IFL Housing has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and the Company’s approach of risk gradation in this regard for its lending business.

3. Determination of Prime Lending Rate (PLR)

- The PLR is an estimation of a benchmark interest rate approved by the Asset Liability Committee (ALCO) of the Company from time to time.
- Computation of PLR to be calculated including but not limited to the following components:
 - Costs of Funds



- Expected return on equity
 - Cost of operation
 - Credit Cost
 - Cost of Carrying Liquidity
 - Risk Premium
 - Tenor Premium
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- PLR will be reviewed Annually by the ALCO
 - The estimation and the methodology for calculating the PLR may be changed at any time with the approval of the ALCO.

IFL Housing has the right to revise the Prime Lending Rate (PLR) from time to time and accordingly the applicable interest rate to the loan account of customer shall be revised and impact shall be given on loan tenure or EMI or both, as the case may be.

The Company conducts periodical review of the PLR and range of rate of interest broadly based on its cost of funds, operating cost, business strategy and overall market conditions.

In case of any such change in PLR, Customer will be intimated via SMS/Email or any other electronic mode of communication.

PLR and the method of computation of PLR shall be decided in the Board meeting as well as ALCO.

4. Rate of Interest

- Interest rates offered could be on fixed rate basis or floating / variable rate basis or Dual rate basis (Semi Fixed).
- All floating rate loans should be linked to an internal reference rate of IFL to be termed as “Prime Lending Rate (PLR)”
- The rate of interest for the same product, profile, geographic location and tenor with similar risk factor will be uniform.
- The interest rate offered to the borrower will be arrived after adjusting the “spread” to RPLR. The spread is derived based on multiple risk factors, more particularly mentioned in Section 5 of this policy.
- Loan amount, Annualized Rate of Interest/APR and tenure of loan will be communicated to the borrower in the sanction letter and the apportionment of installment towards interest and principal dues shall be made available to the borrower in Repayment Schedule.
- The practices followed by competitors may also be taken into consideration while deciding on interest rates / charges.



- All applicable charges for switching of loans from floating to fixed rate or vice-versa and any other service charges/ administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter / MITC / loan agreement and also at the time of revision of such charges/ costs by the company from time to time
- The company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortization
- All revised terms applicable to customers should be included in the MITC circulated and uploaded on the website of the company.
- Flow of interest rates of loans disbursed to individual Borrowers are as follows :

For Home Loan and LAP cases :

- **Urban and Semi- Urban Case's rate categorization**

Minimum	15%
Maximum	22%

15-19% - SENP / SEP
15-20% - Bank Salaried
19-22% - Cash Salaried

- **Rural Case's rate categorization**

Minimum	20%
Maximum	30%

20-22% - Bank Salaried
21-25% - Cash Salaried
22-25% - SENP / SEP
24-27% - Daily Wager
25-30% - Daily Wager with no Cibil history / Any Other Deviation.

Note : Deviation of upto 2% can be given by Credit Head / Managing Director.

For Gold Loan cases : Please refer the Gold Loan Policy

5. Penal Charges

- Penal charges, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalization of penal charges i.e., no further interest computed on such charges.



- The company shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.
- The quantum of penal charges shall be reasonable and without being discriminatory within a particular loan / product category.
- The quantum and reason for penal charges shall be clearly disclosed by the company to the customers in the loan agreement/MITC, in addition to being displayed on the company's website.

6. Other Charges

- Besides normal Interest, the Company may levy additional interest for adhoc facility, penal charges/ default interest for any delay or default in making payments of any dues. The details of Penal charges for late repayment will be mentioned in the loan agreement and communicated in the sanction letter/MITC to the customer.
- Company may levy other financial charges like but not limited to processing charges, administrative charges, charges for legal & technical valuation, cheque bouncing charges, document handling charges, on various other services like issuing foreclosure statement charges, etc. wherever considered necessary. In addition, the Goods and Services Tax and other taxes, levies or cess would be collected at applicable rates from time to time.
- Claims for refund or waiver of charges/ penal charges would normally not be entertained by the Company. It is the sole and absolute discretion of the Company to deal with such requests, if any
- The company shall not charge pre-payment levy or penalty on pre-closure of housing loans under the following situations:
 - i). Where the housing loan is on floating interest rate basis and pre-closed from any source.
 - ii). Where the housing loan is on fixed interest rate basis and the loan is preclosed by the borrower out of their own sources.
- The company should display of various key aspect such as service charges, interest rates, Penal charges (if any), services offered, product information in regional / vernacular language on the website/ MITC provided to the customer.

7. Interest Rate Revision

- The rate of interest applicable to each customer is subject to change depending on the change in the risk profile of the customer.
- The interest rate for segment of customer may also undergo change based on change in risk profile for that particular customer segment.
- The interest re-set period for floating / variable and Fixed rate lending would be decided by the Company from time to time, as per terms of sanction/MITC/agreement with/ intimated to the customer.
- At the time of reset/change of interest rate the borrowers shall also be given the choice to opt for equivalent modification in EMI or tenor or combination of both option by sending a communication through a letter/sms/email. Changes in interest rates would be decided at any periodicity, depending



upon change in benchmark rate, market volatility, competition review and such other factors as may be.

- Intimation of change of interest or other charges or new product/options available would be communicated to customers in a manner deemed fit, as per terms of the loan documents. Any revision in interest or other charges would be communicated with prospective effect.
- In case of tranche wise disbursements, the rates of interest would be subjected to review and the same may vary according to the prevailing rate applicable at the time of successive disbursements or as may be decided by the Company, with a clear intimation to the customer

8. Approach for Gradation of Risk

The risk premium attached with a customer shall be assessed inter-alia based factors including but not limited to following:

1. Profile and market reputation of the Borrower/Co-Borrower
2. Inherent type / nature of the facility
3. Type of asset being financed
4. End use of the loan represented by the underlying asset
5. Past repayment track record and historical performance of customer
6. Borrower's repayment capacity based on cash flows and other financial commitments
7. Geographic location of the customer / collateral
8. Nature and value of primary and secondary collateral / security
9. Tenure of relationship with the Borrower/Co-Borrower
10. Operational cost specific to segment of customer, profile & product
11. Any other factors like market liquidity, RBI Policies on credit flow, offerings by competition, stability in earnings and employment, deviations permitted for loan sanctioning, further business opportunities, external credit score, industry trends etc.

9. Risk categorization of Customer

Each and every customer will be divided in three categories of Risk :

- Low Risk
- Medium Risk
- High Risk

The basis of categorization of above risk categorization in case of products - **Housing loans and Loan against Property**, shall be as follows :



Loan in 3 days

Basis	Weight Percentage	Score	
		Particulars	Points
Primary Applicant's Constitution	30%	BANK SALARIED	100
		SEP - PROPER FINANCIAL	90
		SENP - NON PROFESSIONAL	70
		SENP - PROPER FINANCIAL	70
		SEP - ASSESSED INCOME	60
		CASH SALARIED	40
		SENP - ASSESSED INCOME	50
		OTHER	40
		HOUSEWIFE	20
CIBIL	15%	-1	90
		>750	100
		700-750	90
		650-700	80
		600-650	70
		500-600	60
		<500	40
LTV	20%	Less Than 30%	100
		30-40%	80
		40-50%	60
		50-60%	40
		>60%	30
FOIR	15%	<=40	100
		More than 40-Less Than Equal to 45	90
		More than 45-Less Than Equal to 50	80
		>50	70
Education	10%	PG	100
		PRO	100
		GRAD	100
		12 th	90
		MAT	80
		UP TO 9 TH	70
Mortgage	10%	Registered	100
		Equitable	70
TOTAL	100%		



Based on above weighted percentage, customer is categorized as follows :

- **Low risk**, if weighted percentage is more than 70%
- **Medium Risk**, if weighted percentage is more than 50% and upto 70%
- **High Risk**, if weighted score is upto 50%

The basis of categorization of above risk categorization in case of product – **Gold Loan**, shall be as follows :

Basis	Weight Percentage	Score	
		Particulars	Points
Branch LTV / Audit LTV	30%	Less than or Upto 75% LTV	100
		More than 75% and upto 85% LTV	85
		More than 85% LTV	60
Market LTV	40%	Less than or Upto 75% LTV	100
		More than 75% and upto 85% LTV	85
		More than 85% LTV	60
DPD	30%	0 DPD	100
		1-60 DPD	85
		61-90	70
		More than 90	50
TOTAL	100%		

Based on above weighted percentage, customer is categorized as follows :

- **Low risk**, if weighted percentage is more than 90%
- **Medium Risk**, if weighted percentage is more than 80% and upto 90%
- **High Risk**, if weighted score is upto 80%

10. Governance Structure

- The Board of Directors shall have oversight for the Interest Rate Policy of IFL Housing. In order to ensure effective implementation of the Interest Rate Policy, the Board may delegate certain operational aspects to ALCO, as deemed fit. Any proposed change in the PLR would be decided by ALCO and the Board.
- Any changes to Internal pricing would need to be approved by ALCO.