



Saral Home Finance Limited
(Formerly known as Vishwakriya Housing Finance Limited)
CIN : U74899DL2000PLC104956
Regulated by the National Housing Bank

117, South Ex. Plaza - II, 209 Masjid Moth,
New Delhi 110049
T+91 11 41004035/36

Policy on Co-Lending

Preamble

Reserve Bank of India has issued a circular dated November 05th, 2020 on Co-Lending by Banks and NBFCs (Including Housing Finance Companies) regarding Priority Sector Lending (RBI/2020-21/63, FIDD.CO.Plan.BC.No.8/04.09.01/2020-21) ("Circular") superseding its earlier circular dated September 21, 2018 on co-origination by banks and NBFCs for lending to priority sectors. Under the new Circular of RBI Co-Origination between Bank and NBFC, the policy is rechristened as Co-Lending Model ("CLM") and the Circular introduced changes to bring operational flexibility to the lenders.

The Reserve Bank of India's (RBI) aim is to provide competitive credit flow to the unserved and underserved segments of the ecosystem to achieve financial inclusion. Considering wider geographical reach and ability of NBFCs to operate on affordable infrastructures, RBI has introduced Co-Lending model through which banks and NBFCs/ HFCs can collaborate to improve the flow of credit to such segments.

The co-Lending model should entail joint contribution of credit by both the lenders. It should also involve sharing of risks and rewards between the NBFC/HFC and the Bank/FI/SME Lenders for appropriate alignment of respective business objectives, as per mutually decided agreement between NBFC/HFC and the Bank.

Under the Co-Lending model Saral Home Finance Limited (SHFL) shall be responsible for, including but not limited to sourcing of customers/ borrowers, credit assessment (as a co-lender), monitoring of loans and collections from the customers and requisite regulatory reporting. SHFL shall act as a servicing and collection agent for the loans co-lent by SHFL & the partner bank/FI/SME Lenders.

Objective of the Policy

This Policy shall be treated as the guidelines for strategic alliance with various Banks/FIs for Co-Lending of loans and shall be read along with relevant guidelines issued by the regulators Reserve Bank of India, Ministry of Finance etc. In case of any conflict between the Policy and any applicable Regulations, the Regulations shall prevail.

Co-Lending Policy

To further scale-up the business & operations of the Company and for providing wider reach, SHFL shall explore Co-Lending opportunities with various Banks/ FIs/SME Lenders under all possible models of Co-Lending.

SARAL Home Finance (SHFL) will enter into discussion and finalize the modalities of Co-Lending. A Master Co-Lending/ Co-origination/ equivalent agreement will be executed, with the partner Bank/FI/SME Lenders for defining terms & conditions of the Co-Lending arrangement, participation ratio, commercial arrangements, pre-agreed hybrid credit policies and operating procedures/ guidelines.

Terms of the co-Lending arrangement including Master Co-Lending/ Co-origination/ any such agreement required in this matter shall be approved by the Banking and Finance Committee of the Company.

Methods of Co-Lending.

SHFL shall, on the basis of discussion with partner Bank/FI/SME Lenders, enter into CLM Master Agreements for implementing the model.

- a. the bank to mandatorily take their share of the individual loans as originated by the NBFC in their books (herein after referred to as "Model 1")

If the Agreement entails a prior, irrevocable commitment on the part of the bank to take into its books its share of the individual loans as originated by the SHFL, the arrangement must comply with the extant guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks issued vide RBI/2014-15/497/DBR.No.BP.BC.76/21.04.158/2014-15 dated March 11, 2015 and updated from time to time. In particular, the partner bank/FI/SME Lenders and SHFL shall have to put in place suitable mechanisms for ex-ante due diligence by the bank as the credit sanction process cannot be outsourced under the extant guidelines on Outsourcing.

- b. Retain the discretion to reject certain loans subject to its due diligence (herein after referred to as "Model 2").

If the bank exercises its discretion regarding taking into its books the loans originated by SHFL as per the CLM Master Agreement, the arrangement will be akin to a direct assignment transaction. Accordingly, the taking over bank shall ensure compliance with all the requirements in terms of Guidelines on Transactions Involving Transfer of Assets through Direct Assignment of Cash Flows and the Underlying Securities issued vide RBI/2011-12/540 DBOD.No.BP.BC-103/21.04.177/2011-12 dated May 07, 2012 and RBI/2012-13/170 DNBS. PD. No. 301/3.10.01/2012-13 August 21, 2012 respectively, as updated from time to time, with the exception of Minimum Holding Period (MHP) which shall not be applicable in such transactions undertaken in terms of this CLM. The MHP exemption shall be available only in cases where the prior agreement between the banks and SHFL contains a back-to-back basis clause and complies with all other conditions stipulated in the guidelines for direct assignment.

Eligible Banks/ Financial Institutions

SHFL may enter into Co-Lending arrangement with any of the Banks, Financial Institution or SME Lenders which are eligible to engage in the business of Co-Lending by RBI.

Products Eligible for Co-lending

A common product program with single product or multiple products shall be agreed with the co-lending partner. All the existing products of the Company applicable under regulator guidelines, i.e. Housing Loan (HL) and Loan against Property (LAP) shall be eligible for co-Lending of loans.

Business Sourcing, Funding and Servicing

1. SHFL shall be responsible for sourcing/ origination of the loans. Process of loan sanction and disbursal shall be as per the agreed terms as defined in the Master Co-Lending arrangement/ Standard Operating Procedures agreed with respective Co-Lending partner.
2. Escrow (or equivalent) common account shall be opened for disbursals/ collections. Terms of the appropriation of cash flows shall be defined in the Master Co-Lending arrangement/ Standard Operating Procedures.
3. SHFL shall maintain individual borrower's account for its share/ contribution as well as a single unified statement for the borrower considering share of both SHFL & the co- Lending partner.
4. Any other services that are provided to the borrower by SHFL/ Bank/ FI shall be governed by the terms & conditions of the Master Co-Lending arrangement.
5. SHFL may enter in to co-lending arrangement with NBFCs/HFCs/SME Lenders for origination of HL/LAP loans. Since these arrangements are not guided by the Model 1 and 2 prescribed by RBI, the business terms in such arrangements would be basis mutually agreed Terms and Conditions.

Know Your Customer (KYC)

SHFL shall adhere to applicable KYC and AML guidelines issued by RBI as updated from time to time. The Company shall carry out proper due diligence. However, even if the Company is carrying out the KYC compliances for verifying the identity of the customers at the inception, the Bank/ FI shall also ensure that the ultimate responsibility and decision- making functions of determining compliance with KYC norms are met with.

Collection and Recovery

SHFL shall follow appropriate framework for documenting, maintaining and testing business continuity and recovery procedures as mutually agreed with the Co-Lending Partner from time to time. SHFL shall execute a Service/ Collection Agreement with the Co-Lending Partner which shall layout the SOPs, which both parties must abide by.

Security and Charge Creation

. Creation of security and charge shall be as mutually decided between SHFL and participating Banks in the respective Master Co-Lending arrangement as per the regulatory norms

Provisioning/Reporting Requirement

Co-lenders shall follow their independent provisioning requirements, including declaration of account as Non-Performing Assets (NPA)/ Stage-3, as per the applicable regulatory guidelines issued from time to time.

Monitoring of the loans

SHFL and the Co-Lending partner shall establish a framework for monitoring and recovery of the loans at mutually agreed terms and conditions.

Grievance Redressal

SHFL will be primarily responsible for customer service and for resolving customer grievances of the borrower. However, any complaint registered by a borrower with SHFL shall also be shared with Co- Lending partner.

Business Continuity Plan

As mutually agreed between SHFL and the co-lending partner, the parties shall formulate a business continuity plan to ensure uninterrupted service to the borrowers till final maturity of the loans under the Co-Lending agreement, in the event of termination of co-Lending arrangement between the co-lenders.