

**Grihum Housing Finance Limited
(Formerly, Poonawalla Housing Finance
Limited)**

Co-lending Policy

Effective date: 18.10.2023

Approval Date: 18.10.2023

Version No.: 3.0

Approved By: Board of Directors

Policy Owner: Treasury, Business &
Products Team

This document supersedes any Policy on co-lending of loans in the Company, and should be read in conjunction with the most recent policies/code and procedures documented and held on file.

Subject: Co-lending Policy	Original Issue Date: 05.03.2020	Effective Date: 18.10.2023
	Revision Dates: 21.01.2023 & 18.10.2023	Version No: 3.0

Base Document	:	Guidelines on Co-Lending by Banks and NBFCs to Priority Sector dated November 05, 2020 issued by the Reserve Bank of India
Functional aspects checked by	:	Mr. Pankaj Rathi, Mr. Amit Kumar Khan, Mr. Rakesh Asawa, Mr. Rishikant Dubey
Governing Guideline/ Policy	:	Guidelines on Co-Lending by Banks and NBFCs to Priority Sector dated November 05, 2020 issued by the Reserve Bank of India
Legal aspects checked by	:	Mr. Naveen Manghani and M/s Vinod Kothari & Co.

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1. Preamble / Background

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Vide circular FIDD.CO.Plan.BC.08/04.09.01/2018-19 dated September 21, 2018 Reserve Bank of India (“RBI”) issued guidelines on co-origination of loans by Banks and NBFCs for lending to priority sector. However, with a view to better leverage, the respective comparative advantages of the Banks and NBFCs (including HFCs) in a collaborative effort, RBI has, vide its Guideline RBI/2020-21/63 FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dated November 5, 2020 (“Circular”) decided to provide operational flexibility to the lending institutions by revising its existing scheme as “Co-Lending Model” (“CLM”) to improve flow of credit to the un-served and underserved sectors of the economy and make funds available to the ultimate beneficiary at an affordable cost giving better reach to the NBFCs (including HFCs). As per this Circular all Banks and NBFCs (including HFCs) shall frame a Board approved Policy on Co-Lending (“Policy”) for entering into CLM arrangement and place the approved policy on its website.

2. Scope and Coverage

Grihum Housing Finance Limited (Formerly, Poonawalla Housing Finance Limited) (“the Company”/“Grihum”) may enter into Co-lending agreements for the following products:

- a. Home Loans
- b. Loan Against Property (including MSME LAP)

This policy is applicable when Grihum acts as a sourcing partner. It is not applicable to CLM between HFC / NBFC to HFC / NBFC. Furthermore, if Grihum wants to enter into a co-origination tie-up with other NBFC/HFCs as a sourcing partner, the same can be done only under co-origination model for PSL as well as Non-PSL loans.

3. Eligibility

The Policy is applicable only to the following segments:

1. Priority Sector Lending – Lending to be made only to the priority sector defined by RBI which shall include funding towards micro, small & medium enterprises, housing, export credit, education, social infrastructure, renewable energy, startup, etc.

Following entities are eligible under this policy:

- All Scheduled Commercial banks (excluding Regional Rural Banks, Small Finance Banks, Urban Co-operative Banks and Local Area Banks).
- Foreign banks (including WOS) with greater than 20 branches
- Banks to not belong to the same promoter group

4. Tie-Up Mechanism

- i. Grihum can enter into co-origination agreements with any large Scheduled Commercial Banks (excluding Regional Rural Banks, Small Finance Banks), other Financial Institutions and other HFCs (hereinafter collectively referred as “Co-origination Partners”) for co-origination of loans.
- ii. Grihum to execute a Non-Disclosure Agreement with the Co-lending Partner before sharing of any information.

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- iii. Grihum shall maintain at least 20% share of the individual loans on its books throughout the term of the funding. Maximum funding by Grihum shall be based on mutual agreement with the Co-lending Partner.

A Master Agreement may be entered into between the Company and the Co-lending Partner which shall inter-alia include terms and conditions of the arrangement, the criteria for selection of partner institutions, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities as well as customer interface, KYC and protection issues.

- iv. The Master Agreement may provide for the Co-lending Partner to either mandatorily take their share of the individual loans originated by the NBFCs (including HFCs) 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, subject to the conditions specified in the agreement.
- v. As per compliance with the Circular, the Master Agreement will incorporate commercial elements such as interest rate, sharing of sourcing and processing fees, crossing rights and revenue sharing, post disbursement servicing arrangement and fees applicable thereto.
- vi. A Standard Operating Procedure Manual shall also be drawn up on mutually agreed upon instructions and processes in relation to the CLM, including but not limited to the process of submitting disbursement requests, acceptance of disbursement requests, disbursements of funds, collection of amounts due under the Credit Facilities and enforcement actions to be initiated.

5. Management Committee

All CLM tie-up proposals shall be approved by Management Committee. Further, Asset Liability Management Committee will have oversight on the governance of this Policy.

6. Operating Mechanism

I. For entering into tie-up agreement

For each CLM arrangement, a brief note shall be prepared by Treasury Team and presented to Management Committee for review and approval of the terms of the agreement. Below items may be covered in the note:

- a. Products to be covered
- b. Customer's profile
- c. Exposure to be taken
- d. Commercials: Funding ratio and fees for services provided
- e. Expected RoA from the proposed model and comparison with existing RoA

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II. Co-lending terms

a. Business Sourcing, Credit appraisal and Funding

- i. Customer acquisition is to be done by Grihum as per the terms agreed with the Co-lending Partner.
- ii. A common credit policy for screening the customers under co-lending arrangement based on the agreed upon pricing is to be drawn up with the Co-lending Partner. This would need to be approved by the respective relevant authority of the Company as well as the Co-lending Partner.
- iii. Grihum and the Co-lending Partner shall be entitled to independently assess the risks and requirements of the applicant borrowers. Further, as per mutually agreed terms with the Co-lending Partners, either party may be allowed access to credit history / information of customers for quick decision-making process.
- iv. If the Master Agreement requires a prior, irrevocable commitment on the part of the Co-lending Partner to take into its books its share of the individual loans as originated by the Company, the arrangement must comply with the extant guidelines on 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. The Co-lending Partner and Grihum shall put in place suitable mechanisms for ex-ante due diligence by the bank as the credit sanction process cannot be outsourced under these guidelines.
- v. However, the Co-lending Partner can exercise its discretion regarding taking into its books the loans originated by Grihum as per the Master Agreement. The arrangement will be similar to a direct assignment transaction except the criteria of Minimum Holding Period ("MHP") which shall not be applicable in transactions undertaken in terms of CLM. The MHP exemption will be available only in cases where the prior agreement between the Co-lending Partner and Grihum contains a back-to-back clause, in compliance with other conditions as per guidelines for direct assignment.

b. Rate of interest and fees sharing:

- a. Borrower may be charged an all-inclusive interest rate as may be agreed upon by both the lenders conforming to the extant guidelines applicable to both lenders
- b. Upon repayment, the interest shall be shared between Grihum and the Co-lending Partner in proportion to their share of credit and interest rate
- c. Grihum may charge a specified percentage, as negotiated with Co-lending Partner, towards its services for sourcing
- d. In cases where Grihum acts as a servicing and collection agent (which will generally be the case), a separate fee for the same may be charged as agreed mutually.
- e. Any other charges, as applicable may be shared as mutually agreed with the Co-lending Partner

c. Account Management:

- i. An escrow type common account to be opened for pooling respective loan contributions for disbursement and transfer to customer, without holding the funds for usage of float. This would be operated by the operations team for Grihum.
- ii. Operations Team would ensure that Grihum's contribution in the co-lending program shall not be funded by the Co-lending Partner.

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d. **KYC (Know Your Customer)**

The Company as well as Co-lending Partner shall also be required to adhere to Master Directions - Know Your Customer (KYC) Direction, 2016, issued vide RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 dated February 25, 2016 and updated from time to time, which already permit regulated entities, at their option, to rely on customer due diligence done by a third party, subject to specified conditions.

e. **Collection & Recovery**

Grihum shall follow robust framework for documenting, maintaining and testing business continuity and recovery procedures as mutually agreed with Co-lending partner from time to time. In case of any suits for recovery of loan, Grihum shall institute the suit and the Co-lending Partner shall join the suit along with Grihum as co-litigant. In the alternative, the co-lending parties may agree to engage the Security Trustee for this purpose.

f. **Customer Servicing**

- i. Grihum shall be the single point 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 Grihum and Co-lending Partner. All the details of the arrangement shall be disclosed to the customers upfront and their explicit consent to be taken.
- ii. The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the Co-lending Partner and Grihum therein shall be applicable mutatis mutandis in respect of loans given under the arrangement and the Company shall strictly adhere to such guidelines.
- iii. Regarding loan balances, Grihum shall maintain individual borrower's accounts and should also be able to generate and share a single unified statement to the customer, through appropriate sharing of required information with the Co-lending Partner.

g. **Security and Charge Creation**

The co-lenders shall arrange for creation of security and charge as per mutually agreeable terms. It can either be in the name of a security trustee or any one of the co-lenders or both the lenders may have pari passu charge over the security. The parties may choose to enter into registered mortgage for the underlying immovable property or may use the services of Security Trustee, as may be mutually agreed.

h. **Accounting and MIS**

Accounting for each loan shall be done for Grihum's share of risk and rewards. NPA recognition and provisioning to be made for Grihum's share as per Grihum's policy.

Co-lending Partner shall follow its independent provisioning requirements, including declaration of account as Non-Performing Assets (NPA), as per the regulatory guidelines issued from time to time including reporting to Credit Information Companies, under the applicable regulations for its share of the loan account.

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Grihum and the Co-lending Partner to share necessary MIS and information as mutually agreed.

i. Assignment / Change in Loan limits

Any assignment of loans by Co-lending Partner to a third party can be done only with the consent of the other lender. Further, any change in loan limit of the co-lent facility can be done only with the mutual consent of both the lenders.

j. Grievance Redressal

With regard to grievance redressal, suitable arrangement must be put in place by the co-lenders to resolve any complaint registered by a borrower with Grihum 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. .

k. Periodic Verification

Grihum shall include the loans under the co-lending agreement in the scope of its internal/ statutory audit to ensure adherence to the Company's internal guidelines, terms of the agreement and extant regulatory requirements.

l. Business Continuity Plan

Both banks and Grihum shall formulate a business continuity plan to ensure uninterrupted service to the borrowers till repayment of the loans under the Master Agreement, in the event of termination of co-lending arrangement between the co-lenders.

7. Approving Authority

Any new tie up agreements or modification thereof including co lending commercials would need to be passed through the Management Committee for approval. The various aspects in the agreement including commercials, credit appraisal, standard operating mechanism, technology related, legal aspects, operations, risks involved etc. need to be approved by the respective head of department. Further, any change in the Policy shall be recommended by the Risk Management Committee to the Board for its approval.

8. Review Mechanism

The Policy shall be reviewed and renewed on an annual basis.

9. Change Control Record

Version No.	Change Request by	Memorandum of Change	Approval date
-	-	Change of name of the Company to Poonawalla Housing Finance Limited w.e.f. 22.07.2021	-
2.0	Nikhar Jitendra Oza, Product Manager; Rakesh Asawa, Vice President - Treasury	Co-lending policy based on Guidelines on Co-Lending by Banks and NBFCs to Priority Sector dated November 05, 2020 issued by the Reserve Bank of India	21.01.2023

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3.0	Rakesh Asawa, Vice President – Treasury	Aligned with the business requirements	18.10.2023
-	-	Change of name of the Company to Grihum Housing Finance Limited w.e.f. 17.11.2023	-
