



POLICY FOR CO-LENDING OF LOANS

OF

PNB HOUSING FINANCE LIMITED



Table of Contents

S. No	Particulars	Page No
1	Introduction	2
2	Eligibility	2
3	Master Agreement	2
4	Loan Funding Ratio	3
5	Steps in Co-lending Arrangement	3
6	Interest Rate	4
7	Other Operational Aspects	4
8	Aspects Relating to Customer Service	4
9	Approval Authority	5

Summary of Version History

Policy approved by	Board of Directors
Policy drafted by	Business Head
Last Date of Renewal of Policy	NA
Current Revision Date/No	January 27, 2021/V1.0

Policy for Co-Lending of Loans

I. Introduction

Company has framed co-lending Loan policy as per RBI circular no. RBI/2020-21/63 FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 ("circular") dated November 05, 2020 (in supersession of the earlier circular FIDD.CO.Plan.BC.08/04.09.01/2018-19 dated September 21, 2018).

RBI vide this circular has given operational flexibility to the lending institutions by revising its existing scheme as "Co-Lending Model" ("CLM") to improve flow of credit to the unserved and underserved sectors of the economy and make funds available to the ultimate beneficiary at an affordable cost giving better reach to the NBFCs. As per RBI circular all Banks and NBFCs (including HFCs) shall frame a Board approved policy for entering into the CLM and place the approved policy on website.

II. Eligibility:

The policy is applicable to following segments;

- i. Co-origination of loan with Scheduled Commercial Banks, excluding foreign banks (including WOS) with less than 20 branches.
- ii. Lending to be made for retail mortgage assets.

Before entering into the Master Agreement with participating Banks, PNB Housing will discuss to agree on loan products, which are eligible under the respective CLM / Master Agreement.

III. Master Agreement:

- i. Banks are permitted to co-lend with HFCs.
- ii. The Master Agreement between the two partner institutions will include, terms and conditions, the criteria for selection of partner institutions, the specific product lines and areas of operation, provisions related to segregation of responsibilities, customer interface, KYC and customer protection.
- iii. The banks will either mandatorily take their share of the individual loans originated by PNB Housing in its books as per the terms of the agreement, or to retain the discretion to reject certain loans after their due diligence prior to taking them in their books.
- iv. The Master Agreement will provide on representations and warranties which PNB Housing shall be liable in respect of the share of the loans taken into the books by the bank.
- v. The Master Agreement shall be in compliance with RBI dated November 05, 2020 on C-lending. The Master Agreement will incorporate commercial elements such as, interest rates, sharing of sourcing and processing fees, crossing rights and revenue sharing, post disbursement servicing arrangement and fees applicable thereto.

IV. Loan Funding Ratio:

- i. The co-lending banks will take their share of the individual loans on a back-to-back basis in their books.
- ii. Participation between the co-lending banks and PNB Housing in their capacity as lenders, shall be mutually agreed ratio with minimum 20% of the credit risk by way of direct exposure shall be on PNB Housing's book till maturity.

V. Steps in co-lending arrangement:

- i. PNB Housing will source and identify eligible customers as prospective borrowers as per credit norms mutually agreed with the bank. It will undertake field investigation, personal discussion, original seen and verification of know your customer ("KYC") document, legal & technical evaluation of the underlying asset, title search etc. It will collect relevant documents & conduct a thorough due diligence of the borrower(s) to evaluate the credit worthiness. Evaluation of borrowers will be done on past history of repayment, credit checks viz. bureau, internal dedupe, and fraud check, assessment of income, business vintage, stability etc.
- ii. PNB Housing will recommend proposals to co-lending banks for credit approval under co-lending. It will along with the partner bank 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. The bank can exercise its discretion regarding taking into its books the loans originated by PNB Housing. The arrangement will be similar to a direct assignment transaction with the exception of Minimum Holding Period (MHP) which is 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 banks and PNB Housing contains a back-to-back clause, in compliance with other conditions as per guidelines for direct assignment.

VI. Interest Rate

- i. PNB Housing and the co-lending bank will have the flexibility of pricing their part of exposure in accordance with internal pricing strategies; however, the ultimate borrower will be charged an all-inclusive interest rate as agreed upon with the lenders conforming.
- ii. Upon repayment, the interest income will be shared with the co-lending bank in proportion to the share of credit and interest.

VII. Other Operational Aspects

- i. The co-lending banks and PNB Housing shall maintain individual borrower's account for their respective exposures. Transactions (disbursements/ repayments) between the banks and PNB Housing relating to CLM will be routed through an escrow account maintained with the third-party bank, to avoid inter-mingling of funds. The Master Agreement will specify the manner of appropriation between the co-lenders. The co-lenders will establish a framework for monitoring and recovery of the loan.
- ii. The co-lenders will create security and charge as per mutually agreeable terms.
- iii. The framework for monitoring and recovery of the loan, will be as per mutually agreed terms.
- iv. PNB Housing will adhere to the asset classification and provisioning requirement, as per the regulatory guidelines applicable including reporting to Credit Information Companies for its share of the loan account.
- v. In event of default, provisions shall be provided in books for its share of loan. Any additional provisions will be made on case-to-case basis.
- vi. The loans under the CLM will be included in the scope of internal/statutory audit to ensure adherence to internal guidelines, terms of the agreement and extant regulatory requirements.

- vii. Any assignment of a loan by PNB Housing Finance Ltd to a third party can be done only with the consent of the partnering bank.
- viii. PNB Housing will ensure uninterrupted service to its borrowers, till repayment of the loans even after termination of co-lending arrangement.
- ix. PNB Housing will place the Board approved policies for entering into the CLM on its website.

VIII. Aspects relating to Customer Service:

- i. PNB Housing will be the single point of interface for the customers and shall enter into a loan agreement with the borrower, which will contain the features of the arrangement and the roles and responsibilities of PNB Housing and banks.
- ii. The details of the arrangement will be disclosed to the customers upfront and their explicit consent will be taken.
- iii. The extant guidelines relating to customer service and fair practices code and the obligations will be applicable in respect of loans given under the arrangement.
- iv. PNB Housing will generate a single unified statement of the customer, with an appropriate information sharing arrangements with the bank.
- v. Grievance redressal of any complaint registered by a borrower will be done within 30 days. The borrower has the option to escalate with the concerned Banking Ombudsman/Ombudsman for NBFCs or the Customer Education and Protection Cell (CEPC) in RBI.

IX. Approval Authority:

The Managing Director and CEO on the recommendations of Business Head and CFO are authorized to take appropriate decisions and actions as per the approved Policy