

# Hero Housing Finance Ltd

Policy on relief to borrowers under COVID-19 scenario (Last updated: March 20)

A. PURPOSE

This policy has been put forward in line with Notification RBI/2019-20/186; DOR.No.BP.BC.47/21.04.048/2019-20 titled "COVID-19 — Regulatory Package" issued by the Reserve Bank of India (RBI) on 27 March 2020. The Notification lays down the measures that may be made available to the borrowers to mitigate the burden of debt servicing brought about by disruptions on account of the COVID-19 pandemic. The Notification also requires a Board approved policy to be put in place for providing the abovementioned relief to borrowers.

This document sets out the terms of the policy which HHFL may adopt in light of the abovementioned notification and is being put up to the Board of Directors for necessary review and approval.

B. SUMMARY OF RBI GUIDELINES ON COVID-19 - REGULATORY PACKAGE

1. Rescheduling Payments - Term Loans

- a. With respect to all term loans (including agricultural term loans, retail loans, crop loans and loans under pool purchases), all Lending Institutions have been permitted to grant a moratorium of three months on payment of all instalments falling due between 1 March 2020 to 31 May 2020;
- b. Instalments are defined to include:
  - (i) Principal and/or interest components;
  - (ii) Bullet repayments;
  - (iii) Equated Monthly Instalments; and (iv) Credit card dues.
- c. The repayment schedule for such loans and the residual tenor, to be shifted across the board by three months after the moratorium period;
- d. Interest to continue to accrue on the outstanding portion of the term loans during the moratorium period.

2. Classification as Special Mention Account ('SMA') and Non-Performing Asset ('NPN')

- a. Such moratorium/deferment/recalculation of the "drawing power", provided to borrowers to tide over the economic fallout of COVID-19, not to be treated as concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower<sup>1</sup>,
- b. Consequently these measures to not to result in asset classification downgrade;
- c. For all such term loans that are granted moratorium, asset classification to be determined on the basis of revised due dates and revised repayment schedules;
- d. Supervisory reporting and reporting to Credit Information Companies ('CICs') - Rescheduling of payments including interest, to not to qualify as a default for the purpose of supervisory reporting and reporting to CICs i.e., the above mentioned actions to not to adversely impact the credit history of the beneficiaries.

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<sup>1</sup> Under paragraph 2 of the Annex to RBI (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019 "(Prudential Framework")

c. IMPLEMENTATION OF RELIEF MEASURES BY HHFL

1. HHFL will offer relief to all borrowers (unless otherwise stated below) who wish to avail of a moratorium on instalments of any or all of the term loans availed by them from HHFL;
2. All borrowers who wish to avail of the moratorium can send an email from their registered email ID to [customer.care@herohfl.com](mailto:customer.care@herohfl.com) or call on 18002128800 from their registered phone number or request for it by visiting our microsite <https://bit.ly/3arxFf0>. In the request, the borrower should clearly mention the Loan Account Number(s) and whether the moratorium is being sought for all instalments falling due between 1 March 2020 to 31 May 2020 or for a shorter period.
3. If borrowers have already paid the instalments which fell due in March 2020, they can request for a moratorium on the instalments falling due between 1 April 2020 and 31 May 2020.
4. Conditions for availing moratorium on term loans:
  - a. All loan accounts that are standard as on 1 March 2020 are eligible for this relief. Applications will not be considered in respect of the following:
    - (i) Accounts which are classified as willful defaulters or fraud cases prior to 1<sup>st</sup> March 2020; and
    - (ii) Accounts where the borrower is under investigation by a Governmental investigation agency and such fact has been brought to our knowledge; and
    - (iii) Accounts where loan recall notice has been sent prior to 1 March 2020.
  - b. This policy is available till 31 May 2020 (unless further extended and notified as such by HHFL in writing to borrowers).
  - c. Where the borrower has requested for a moratorium, the necessary changes to NACH instructions/updated postdated cheques, etc. and other documentation will be required to be completed by the borrower as required and in the form specified by HHFL;
  - d. HHFL is entitled to evaluate the stress on/disruption caused to the relevant borrower on account of the COVID-19 outbreak and consider their request accordingly;
  - e. Where a borrower has availed more than one term loan from HHFL and he has applied for a moratorium, we will extend the moratorium at a customer level.
5. For the ease of implementation, our loan book has been segregated into the following categories:
  - a. EMI based loans
  - b. Non-EMI loans
6. EMI based loans
  - a. This category will include all loans that carry an amortizing structure - including loans with non-equated installments (whether payable monthly or otherwise), as well as bullet repayments. Loans under pool purchases are also included;

- b. To the borrowers whose ability to honor instalment obligations, falling due between 1 March 2020 and 31 May 2020 is jeopardized on account of the economic fallout of COVID-19 pandemic, to them, HHFL may grant a moratorium of up to three months, as applicable, for payment of these installments;
- c. Interest will be accrued monthly and will be added to the principal amount on a monthly basis during the period of moratorium availed by the customer. The IRR of the loan/facility will remain the same as on 29 February 2020/1 March 2020. However, any change in the benchmark rates of the company post this moratorium period will result in change in the IRR of the remaining principal amount and will be reflected in the revised monthly obligations/change in tenor of the customer;
- d. Once the application for moratorium of the borrowers are approved by HHFL, the revised due dates and repayment schedules shall be notified to all such borrowers (taking into account the accrued interest); and
- e. The effect of the moratorium will be given by extending the tenor of the loan unless otherwise requested for by the borrower in writing or on recorded line. In that case, the borrower's EMI amount will be revised.

#### 7. Non-EMI based loans

- a. This category covers all builder loans wherein we give principal moratorium during construction of the property.
- b. Interest will be accrued monthly and will be added to the principal amount on a monthly basis during the period of moratorium availed by the customer. The IRR of the loan/facility will remain the same as on 29 February 2020/1 March 2020. However, any change in the benchmark rates of the company post this moratorium period will result in change in the IRR of the remaining principal amount and will be reflected in the revised monthly obligations/change in tenor of the customer.

#### 8. Approving Authority

- a. Within the contours of the above mentioned framework, a Committee comprising of the Chief Risk Officer, Chief Financial Officer and Head - Alliances are delegated the task of detailing clear instructions to all stakeholders regarding the implementation of the relief; and
- b. This Committee may also define the approving authorities that will approve all such moratorium/deferment to borrowers.

#### D. CLASSIFICATION OF SPECIAL MENTION ACCOUNT ('SMA') AND NON-PERFORMING ASSET ('NPN') FOR BORROWERS AVAILING THE RELIEF

1. Given the forbearance applied by the RBI through this COVID-19 - Regulatory Package, the objective of which is to acknowledge the challenge of the borrowers in making payments for outstanding dues in these uncertain times, certain additional measures such as the below have been considered:
  - a. While a moratorium may be provided only for standard loans, for payments outstanding with respect to loans that are past due (all stressed loans), the loan classification for the purpose of regulatory reporting from a days past due ("DPD") standpoint will be kept the same as on 29 February 2020 during the moratorium period of 1 March 2020 to 31 May 2020 and the computation of loan classification would

commence from 1 June 2020. While it will be our endeavor to collect the dues, we would not want to bother borrowers during a time period where cash flows across the ecosystem are already stressed.

- b. Rollbacks, if any, on account of clearance of overdue EMIS of previous months (up to 29 February 2020) will result in corresponding reduction in the delinquency status of the borrower.
2. Post the moratorium period, the asset classification of such loans will be determined on the basis of the revised due dates and the revised repayment schedules; and
3. Consequently, for all loans where the relief is provided, the non-payment of financial obligations of the borrowers during the moratorium/deferment period shall not be construed as default for the purpose of supervisory reporting and reporting to the bureaus.

#### E. COMMUNICATION

- The company shall ensure that the above instructions are properly communicated to relevant staff members of the company and clear instructions are issued for implementation.
- The company will communicate the information regarding the above to the borrowers through digital or electronic modes.

The board approved policy will be hosted on the company's website at [www.herohousingfinance.com](http://www.herohousingfinance.com) for our borrowers' information and benefit as mentioned in the RBI's circular.

The policy may be updated by HHFL from time to time within the framework of regulatory guidelines as issued by RBI and HHFL retains the right to determine and consider each application in terms of this policy based on facts and circumstances which may be unique to a particular application/account.

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