

# **CLIX Housing Finance Private Limited Operational Guidelines / Policy on Moratorium for Covid-19 (Abridged Version)**

**Adopted by: Board of Directors**

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## 1. Purpose

**Purpose of this policy is to ensure that:**

- a. Extending moratorium period for upto 3 months as per RBI circular across all product are well defined and transparent.
- b. Clear governance procedures, process are in place while extending moratorium period.
- c. Delegation of matrix and exception management.

## 2. Scope

This policy applies to all products within Clix Housing Finance Private Limited and subsidiaries, including subsidiaries, Joint Ventures (JVs), in which Clix Housing has a 50% or greater interest to self-originated accounts as well as accounts that are acquired (Direct Assignment etc.)

## 3. Moratorium Norms for Covid-19 as per RBI

On March 27, 2020 the Reserve Bank of India (RBI) announced various measures including moratorium on EMI payment for term loans/ deferment of interest in working capital facilities due to COVID-19. **(RBI Notification Ref: no RBI/2019-20/ 186 DOR.No.BP.BC.47/21.04.048/2019-20 "COVID-19 – Regulatory Package" dated March 27, 2020)**

These regulatory measures were announced to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses.

**In this regard, the detailed instructions are as follows:**

### **(i) Rescheduling of Payments – Term Loans and Working Capital Facilities:**

- In respect of all term loans (including agricultural term loans, retail and crop loans), all commercial banks **(including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies) ("lending institutions")** are permitted to grant a moratorium of three months on payment of all instalments falling due between **March 1, 2020 and May 31, 2020**. The repayment schedule for such loans as also the residual tenor will be shifted across the board by three months after the moratorium period.

### **(ii) Easing of Working Capital Financing:**

- In respect of working capital facilities sanctioned in the form of cash credit/overdraft ("CC/OD"), lending institutions are permitted to defer the recovery of interest applied in respect of all such facilities during the period **from March 1, 2020 up to May 31, 2020 ("deferment")**. The accumulated accrued interest shall be recovered immediately after the completion of this period.
- In respect of working capital facilities sanctioned in the form of CC/OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may recalculate the 'drawing power' by reducing the margins and/or by reassessing the working capital cycle. This relief shall be available in respect of all such changes effected up to May 31, 2020 and shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.

**(iii) Others:**

- Wherever the exposure of a lending institution to a borrower is ₹ 5 crore or above as on March 1, 2020, the bank shall develop an MIS on the reliefs provided to its borrowers which shall *inter alia* include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted.

**(iv) Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA):**

- The asset classification shall be determined on the basis of revised due dates and the revised repayment schedule.
- The rescheduling of payments, including interest, will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs).
- Asset classification downgrade will not happen during the moratorium period.
- However, if there is an existing default like interest/principal due up to February 29, 2020, the usual asset classification and provisioning norms will apply (IRAC norms to apply).

In continuation to the **Statement of Development and Regulatory Policies released on March 27, 2020**, please refer to the **Governor's Statement of April 17, 2020** announcing certain additional regulatory measures aimed at alleviating the lingering impact of Covid19 pandemic on the businesses and financial institutions in India, consistent with the globally coordinated action committed by the Basel Committee on Banking Supervision. In this regard, the detailed instructions with regard to asset classification and provisioning are as follows:

**1. Asset Classification under the Prudential norms on Income Recognition, Asset Classification (IRAC)**

- 1.1. In terms of the circular **DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 ('Regulatory Package')**, the lending institutions were permitted to grant a moratorium of three months on payment of all term loan instalments falling due between March 1, 2020 and May 31, 2020 (**'moratorium period'**). As such, in line with the clarification provided by the Basel Committee on Banking Supervision, in respect of all accounts classified as standard as on **February 29, 2020**, even if overdue, the moratorium period, wherever granted, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under the **IRAC** norms.
- 1.2. Similarly in respect of working capital facilities sanctioned in the form of cash credit/overdraft ("CC/OD"), the Regulatory Package permitted the recovery of interest applied during the period from **March 1, 2020 upto May 31, 2020** to be deferred ('deferment period'). Such deferment period, wherever granted in respect of all facilities classified as standard, including SMA, as on February 29, 2020, shall be excluded for the determination of out of order status.
- 1.3. NBFCs which are required to comply with Indian Accounting Standards (Ind AS) shall, as hitherto, continue to be guided by the guidelines duly approved by their Boards and as per ICAI Advisories for recognition of the impairments.

**2. Provisioning**

- 2.1 In respect of accounts in default but standard where provisions of paragraphs (1.1) and (1.2) above are applicable, and asset classification benefit is extended, lending institutions shall make general provisions of not less than 10 per cent of the total outstanding of such accounts, to be phased over two quarters as under:
  - ✓ Quarter ended March 31, 2020 – not less than 5 per cent
  - ✓ Quarter ending June 30, 2020 – not less than 5 per cent

- 2.2 The above provisions may be adjusted against the actual provisioning requirements for slippages from the accounts reckoned for such provisions. The residual provisions at the end of the financial year can be written back or adjusted against the provisions required for all other accounts.
- 2.3 The above provisions shall not be reckoned for arriving at net NPAs till they are adjusted against the actual provisioning requirements as under paragraph 2.2 above. Further, till such adjustments, these provisions shall not be netted from gross advances but shown separately in the balance sheet as appropriate.
- 2.4 All other provisions required to be maintained by lending institutions, including the provisions for accounts already classified as NPA as on February 29, 2020 as well as subsequent ageing in these accounts, shall continue to be made in the usual manner.

### **3. Other Conditions**

- 3.1 The exclusions permitted in terms of para 1.1 and 1.2 above shall be duly reckoned by the lending institutions in their supervisory reporting as well as reporting to credit information companies (CICs); i.e., the days past due and SMA status, where applicable, as on March 1, 2020 will remain unchanged till May 31, 2020.
- 3.2 The lending institutions shall suitably disclose the following in the 'Notes to Accounts' while preparing their financial statements for the half year ending September 30, 2020 as well as the financial years 2019-20 and 2020-2021:
- ✓ Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 1.1 and 1.2;
  - ✓ Respective amount where asset classification benefits is extended.
  - ✓ Provisions made during the Q4FY2020 and Q1FY2021 in terms of paragraph 2.1;
  - ✓ Provisions adjusted during the respective accounting periods against slippages and the residual provisions in terms of paragraph 2.2.

## **4. Clix Housing Finance Approach for granting Moratorium**

### **A. Customers eligible for moratorium/deferment and Key features:**

Customers satisfying following criteria would be eligible to seek for EMI moratorium/interest deferment:

1. All the salaried/self-employed, Individual and non-individual borrowers (including Ltd companies, Partnerships & Proprietorships etc.) across products will be covered.
2. The account can be Standard or otherwise but Clix Housing Finance will take into account the stress on the borrowers on the account of pandemic. The account must not have been written off as on 1<sup>st</sup> March'2020.
3. All accounts which are sub-standard (90+ cases) as on 1<sup>st</sup> March 2020 need to be done basis strong merits (Basis market and Collections feedback) and justification only. All cases with below features to be excluded and not to be granted moratorium:
  - All accounts which has not even paid 1 EMI in last 3 months (Jan'2020/ Feb'2020/ March'2020).
  - Accounts declared as Fraud/Wilful defaulter.
  - Accounts where NCLT/SARFESAI/IBC proceedings has been filed
  - Cases under OTS (One time settlement scheme) under staggered.
  - Customers having intention/contactability issue.
4. Once a customer approaches Clix Housing Finance with a request for EMI moratorium/interest deferment, it will be evaluated and if satisfied with the merits of the

case, EMI moratorium/interest deferment will be considered at the sole discretion of Clix Housing.

5. EMI of all Term Loans will be banked in month of Apr'2020 unless and until we have received customer request to avail moratorium.
6. The above moratorium will be granted basis request of customer only. Customer request letter to be taken in all cases through E-Mail, Scan, Website page etc. for recording the request and reason for availing this moratorium. Acceptance will be taken with detailed T&C through online journey or through E-mail as per proper process defined in execution SOP.
7. We will follow below process for all accounts which are current/Delinquent (**Upto 89 DPD**) **as 1<sup>st</sup> March'2020** and where customer has not raised request/opted for moratorium himself:

#### **Accounts which are current as on 1<sup>st</sup> March'2020**

- a. All accounts who are current and have not opted for moratorium will be banked for EMI
- b. All accounts which have bounced post above banking will be followed-up by collections for payment or will be asked to apply for moratorium on Website in case they are not able to pay the EMI.
- c. All accounts which have bounced post above banking and are non-contactable will be sent a SMS/E-Mail on registered phone/E-mail ID and that will be considered as deemed acceptance of moratorium.

#### **Accounts which are Delinquent (1 to 89 DPD) as on 1<sup>st</sup> March'2020**

- a. All accounts that are in 1 to 89 DPD as on 1<sup>st</sup> March and have not opted for moratorium will be banked for EMI.
  - b. All accounts which have bounced post above banking will be followed-up by collections for payment or will be asked to apply for moratorium on Website in case they are not able to pay the EMI.
  - c. All accounts which have bounced post above banking and are non-contactable will be sent a SMS/E-Mail on registered E-mail ID and that can be considered as deemed acceptance of moratorium subject to exception approval of NCM & NSM on case to case basis.
8. Eligible customer will be offered moratorium/decrement and acceptance may be through any mode of communication (Email/SMS/Digital Document/Voice Recording/Physical Document).
  9. In respect of all accounts classified as standard (**Less than 90 DPD**) as on February 29, 2020, even if overdue, **the moratorium period, wherever granted**, shall be excluded from the number of days past-due for the purpose of asset classification under the IRAC norms. **Wherever the customer has not been extended moratorium, usual IRAC norm will be applicable.**
  10. The exclusions permitted in terms of para 1.1 and 1.2 above shall be duly reckoned by Clix Housing in their supervisory reporting as well as reporting to credit information companies (CICs); i.e., the days past due and SMA status, where applicable, as on March 1, 2020 will remain unchanged till May 31, 2020.
  11. Wherever the customer has not been granted moratorium, Clix board approved provisioning norms will be applicable. In respect of accounts in default but standard (**1 to 89 DPD**) where provisions of paragraphs (1.1) and (1.2) above are applicable, and asset classification benefit is extended, Clix Housing shall make general provisions of not less than 10 per cent of the total outstanding of such accounts, to be phased over two quarters as under:

- ✓ Quarter ended March 31, 2020 – not less than 5 per cent
  - ✓ Quarter ending June 30, 2020 – not less than 5 per cent
12. All other provisions required to be maintained by Clix Housing, including the provisions for accounts already classified as NPA as on February 29, 2020 as well as subsequent ageing in these accounts, shall continue to be made in the usual manner.

**B. Details of Reliefs Eligible:**

- a. Moratorium of EMI/Deferment of interest from March 2020 to May 2020.
- b. Interest will be accrued for three months during which moratorium will be collected by following methods basis Product by Product approach seeing Operational ease and system support:
  - a. Keeping EMI constant and capitalization of interest at the end of May 2020 leading to a change in the contracted tenor.
  - b. Increasing the EMI with no change in tenor due to accrued interest.
  - c. Taking interest on moratorium immediately after the moratorium period or back ending separately or creating charge for interest separately as per system feasibility.

**C. Restriction to moratorium Policy.**

- Accounts written off
  - Accounts declared as Fraud/Willful defaulter.
  - Accounts where DRT/NCLT/SARFESAI/Insolvency/IBC proceeding has been filed are not eligible.
  - Customers having intention/contactability issue.
  - Accounts which are under one time settlement or staggered settlement will not be eligible.
  - All cases where tenor has got finished / expired on 29th Feb will also not be eligible.
- Customer who has paid/cleared the March 2020 EMI will get extended moratorium of 2 month only.
  - In daily EDI based product like LAEP where customers have paid up to whatever date of March'2020 ( Post adjusting dues uptill 29<sup>th</sup> Feb'2020) the same will not be refunded and moratorium will be given for balance tenor basis number of days up to 31<sup>st</sup> May'2020.
  - All delinquent cases where moratorium is offered, partner/collections team will continue with their collection effort till May'2020 for clearing of existing overdue till 29 Feb.

## 5. Product Wise Broad Moratorium Methodology

Captured below is the product wise moratorium methodology.

Product Group	Broad Methodology
Housing Loan/LAP	<ul style="list-style-type: none"> <li>● Based on performance on us.</li> </ul>
Securitization/PTC/DA	<ul style="list-style-type: none"> <li>● As mentioned below</li> </ul>

## 6. Moratorium Methodology-For All HFC Exposure

- Housing/LAP - ( Refer Annexure-3 for details)

Segment	DOA
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Current Customer as on 1 <sup>st</sup> March'2020 as per Grid in Annexure below	Call Centre
From 1 to 29 DPD customer as on 1 <sup>st</sup> March'2020 as per Grid in Annexure below	Credit Manager + Zonal Collection Manager
30+ DPD Customer before write off as on 1 <sup>st</sup> March'2020 as per Grid in Annexure below	ZCM + Zonal Collection Manager+ ZSM
Any Exception to Policy	NCM+NSM

- **Securitization (PTC) / DA -- Done by Clix Housing to Clix Capital** The right may be exercised only with appropriate sanction as provided in the deed of assignment/trust deed – either the consent of the trustees (if the trustee is so empowered under the trust deed/servicing agreement, or investor' consent. If the grant of the moratorium takes place with assignee consent, the assignee may agree to give the benefit to the borrowers. In that case, the assignee does not have to treat the loans as NPAs merely because of non-payment during the period of the moratorium.

Extend the legal final maturity of the PTCs/ DA by 2-3 months (date when the principal redemption is promised to the investor) & interest moratorium on PTCs may also be considered for a period of 2-3 months Actual pool collections can still be passed to the investors (either for meeting accrued interest or prepayment of principal amount) during this period on a monthly basis.

The above changes need to be approved by both Trustee & Investor and appropriate changes will be required to be made in the legal documents. These will also need to be communicated to the Rating agency so that there is no downgrade in the Pool Rating.

It is to be noted that the RBI circular is silent so far on treatment and effect of moratorium on Securitization transactions and each Investor will be guided as per their own Board approved policy in this matter.

As a starting point, we can communicate our Board policy to the Trustee & Investor and our intention to extend moratorium period for our Customers

## 7. Treatment of Part-payment, Foreclosure

- Part-payment norms and foreclosure of loan will be governed by original sanction terms and loan agreement only and will not change at all

## 8. Impact of moratorium

- The asset classification of term loans which are granted relief shall be determined on the basis of revised due dates and the revised repayment schedule. Similarly, working capital facilities where relief is provided, the SMA and the out of order status shall be evaluated considering the application of accumulated interest immediately after the completion of the deferment period as well as the revised terms.
- The rescheduling of payments will not qualify as a default for the purposes of supervisory reporting and reporting to credit information companies (CICs) by the lending institutions. CICs shall ensure that the actions taken by lending institutions pursuant to the above



announcements do not adversely impact the credit history of the beneficiaries. This also will not impact the asset classification/asset downgrade of the borrower.

- However, if there is an existing default like interest/principal due up to February 29, 2020, the usual asset classification and provisioning norms will apply (IRAC norms to apply).

## **9. Exception to the Policy**

- All exceptions to this policy to be approved by NCM & NSM. Any deviation, which in the opinion of the CRO, constitutes a material exception, needs to be escalated to the IC.

## **10. Policy Review**

- IC has the responsibility to review and approve this Policy at least annually. The CRO & Head Finance has overall responsibility for the maintenance of this Policy and is responsible for coordinating closely with the Board in managing that responsibility. The policy would also be revised to reflect changes, if any to the RBI regulation governing the moratorium period.

## Annexures

### Annexure 1: HFC

<u>All current customer as on 1st Mar '2020</u>	<u>X+ customers as on 1st Mar '2020</u>
Pre-approved	Validation/Questions

All cases which are in 30+ to be done with proper diligence and merits only as mentioned above.

#### Validation/Questions

- What has been the impact of Covid-19 on your business/footfalls – Topline, Expenses and Profit Margins -- ( Drop in value terms and % terms drop for all as compared to normal times)
- You have not been paying us EMI regularly even when there was no impact of Covid-19, so why should we give you this Moratorium and have surety that you will be paying us post moratorium period? ( Only to defaulting customers)
- What % of business is dependent on Import/Exports?
- How the receivables/collections of the company has been impacted due to the ongoing lockdown
- Status of statutory payments to be done by the company – Are those being done, is the company paying salaries to its employees on time
- What is the monthly Repayment commitment for all loans of the entity/Individual. What is the status of moratorium with other lenders of the company – Has all lenders approved the moratorium?
- How long will you take to come back to normal business operations once this lockdown is removed?
- Are you operating from Retail Mall/Office premises?
- Is your office owned or rented?
- Additional contact number's and address?
- Salaried customer -- Is there a delay in salary or Job loss?
- Is your business operational or closed ( Prior to Covid impact)?

**The above questions are only illustrative and overall additional assessment to be done on case to case basis.**

## Abbreviations

S.No	Abbreviation	Description
1	LAP	Loan Against Property
2	HFC	Housing Finance Company
3	HL	Housing Loan
4	DPD	Days past Due
5	DOA	Delegation of Authority
6	Ops Lease	Operating Lease
7	NCLT	National Company Law Tribunal
8	SARFAESI	The Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002
9	DRT	Debt Recovery Tribunal
10	NCM	National Credit Manager
11	NSM	National Sales Manager
12	DA	Direct Assignments
13	PTC	Pass Through Certificates
14	PDC	Post Dated Cheques
15	NACH	National Automated Clearing House
16	WIP	Work In Progress