



Aao milkar ghar banaye

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1. Background

The Reserve Bank of India vide its circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on “Resolution Framework for COVID-19 related Stress” (“Resolution Framework – 1.0”) had provided a window to enable lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions.

With the objective of alleviating the potential stress to individual borrowers and small businesses due to resurgence of Covid-19 pandemic in India and the consequent containment measures, (RBI), vide its circulars dated May 5, 2021 and June 4, 2021 (“**Resolution Framework 2.0**”) have provided a window to enable lenders to implement a resolution plan in respect of individual borrowers and small businesses, while classifying such exposures as Standard subject to specified conditions.

The Resolution Framework 2.0 prescribed by the RBI is broadly in line with the contours of the ‘Resolution Framework 1.0’ prescribed by the RBI. One of the conditions mentioned in the RBI ‘Resolution Framework 2.0’ is that each lending institution should put in place a Board approved policy detailing the manner in which evaluation may be done and also defining the objective criteria that may be applied while considering the resolution plan in each case.

With reference to detailing of the manner in which evaluation may be done and also defining of the objective criteria that may be applied while considering any resolution proposal, Centrum Housing Finance Limited (“**Company**” or “**CHFL**”) had already adopted a ‘**One Time Restructuring Policy**’ with the approval of the Board of Directors in their meeting held on November 11, 2020 provisions of which accordingly applied on the any resolution proposed under the Resolution Framework 2.0 also. However, now for the sake of clarity and proper execution of the Resolution Framework 2.0, the Company proposes to adopt this ‘**Policy on Resolution Framework 2.0 for COVID-19 related Stress**’ (“**Policy**”) with approval of the Board of Directors. Any resolution proposal meeting criteria prescribed under the Resolution Framework 2.0 and appraised/ approved by the Company after May 5, 2021 based on the One Time Restructuring Policy shall be deemed appraised/ approved under this Policy.

2. Objectives

- a) To put in place a policy framework, under the Resolution Framework 2.0, for resolution of Covid-19 related financial stress of the borrowers.
- b) To defined criteria for eligibility as well as evaluation of a resolution plan.
- c) To provide uniform relief, through appropriate resolution plan under the Resolution Framework 2.0 to eligible borrowers whose income/cash flows have been impacted due to Covid-19 and who would request the Company for resolution.

3. Eligible Customers

- a) The following borrowers shall be eligible for the window of resolution:
 - (i) Housing Loans/ Loans given for creation/ enhancement of immovable assets (e.g., housing, etc.).
 - (ii) Loans given to individuals for various consumptions purposes (e.g., social ceremonies, etc.). Accordingly, Loan Against Property (“LAP”) extended to individual borrowers for any other reason other than business purposes will be also eligible. In this regard, individuals who have availed of personal loans (as defined in the Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated

January 4, 2018 on “XBRL Returns – Harmonization of Banking Statistics”) shall be considered eligible.

- (iii) Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than Rs.50 crore as on March 31, 2021. Accordingly, LAP extended to individual borrowers for business purposes and to whom lending institutions have aggregate exposure of not more than Rs.50 crore will also be eligible.
 - (iv) Small businesses, including those engaged in retail and wholesale trade, other than those classified as micro, small and medium enterprises as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than Rs.50 crore as on March 31, 2021.
 - (v) Any other loan exposure which may be considered eligible by the RBI under the Resolution Framework 2.0.
- b)** The loan account should have been classified as standard as on March 31, 2021.
- c)** The borrower should have been impacted financially by the Covid-19 pandemic in the form of reduction/ loss of income or cash flows, for example:
- (i) Reduction in Salary/ income.
 - (ii) Reduction/ suspension in salary during lockdown period.
 - (iii) Job Loss/ closure of business.
 - (iv) Closure during lockdown/reduced activity of units/ shops/ business establishments in case of self-employed/ professionals/ businessmen.
- d)** The borrower account should not have availed any resolution in terms of the Resolution Framework-1.0. However, where resolution plan had been implemented in terms of the Resolution Framework 1.0, and where such the resolution plan had permitted no moratorium or moratorium of less than 2 years and/ or extension of residual tenor by a period of less than 2 years, the Company may use this window to modify such plans only to the extent of increasing the period of moratorium/ extension of residual tenor subject to the period/ tenor caps mentioned in this Policy and the consequent changes necessary in the terms of the loan for implementing such extension. Thus, overall caps on moratorium and/ or extension of residual tenor granted under Resolution Framework 1.0 and this framework combined, shall be two years.
- e) Exclusions among the above eligible categories-** The following categories of borrowers/ credit facilities shall not be eligible for a resolution plan under Resolution Framework 2.0:
- (i) Farm credit as listed in Paragraph 6.1 of the Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2016.
 - (ii) Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.
 - (iii) Exposures of lending institutions to financial service providers.
 - (iv) Exposures of lending institutions to Central and State Governments, Local Government bodies (e.g., Municipal Corporations), and body corporates established by an Act of Parliament or State Legislature.
 - (v) Credit facilities provided by the Company to its own personnel/ staff.

4. Implementation Conditions

- a) The resolution plan for eligible borrowers under this policy shall be invoked latest by September 30, 2021 and must be implemented within 90 (ninety) days from the date of invocation.
- b) The resolution process shall be treated as invoked when the Company and the borrower(s) agree to proceed with efforts towards finalizing the resolution plan.
- c) In respect of application received from customer, the decision on the application shall be communicated within 30 days of receipt of such application.
- d) A resolution plan would be deemed implemented only if all of the following conditions are met:
 - (i) All related documentation, including execution of necessary documents between the Company & its borrower(s) and collaterals provide, if any, are completed in accordance with the resolution plan.
 - (ii) Changes in the terms & conditions of such loan is duly reflected in the books of the Company.
 - (iii) The borrower is not in default with the Company as per the revised terms.
- e) The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.
- f) **Resolution options which may be made available to a borrower**
 - (i) The resolution plans as detailed hereunder.
 - (ii) Maximum period of moratorium- The moratorium period, if granted, may be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan.
 - (iii) Maximum extension of residual tenor- The extension of the residual tenor of a loan facility may also be granted, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years.
 - (iv) Any compromise settlements shall not be permitted as a resolution plan under the Policy.

5. Due Diligence Process

In respect of applications received by the Company from its borrower(s) for invoking resolution process under this window, the Company shall carry assessment/ due diligence based on the parameters such as:

- a) Resolution plan should be in line with expected cash flows of the borrower.
- b) Current income assessment to be done as per the borrower's income and employment/ business profile. Fresh PD shall be done by credit manager for ascertaining the same.
- c) The borrowers should not be a wilful defaulter.
- d) Any other regulatory requirements prescribed in this regard.

Due diligence shall be carried-out based on the following:

- (i) Latest 2 months pay slip/Latest ITR along with P&L and Balance sheet, as applicable.
- (ii) Latest 6 months bank statement
- (iii) Personal discussion to be conducted by Credit Manager. During PD, credit manager to understand from the customer in case of job loss/pay cuts/reduction in revenue, then how other fixed obligations like insurance premium, rent, other expenses etc. are going to be managed/ Plan of action and the same to be recorded in the assessment note (Annexure A).

- (iv) In case of job loss, re-employment prospect to be assessed.
- (v) Viability considering various factors such as reinstatement of employment/business income, alternate income, liquidity etc. to be assessed and the same should be to the satisfaction of approving authority.
- (vi) Fresh Valuation of the property mortgaged to be obtained for cases proposed for restructuring.

The above list is indicative and has been provided for illustration purposes. Other criteria or due diligence parameters can be considered from time to time on case to case basis as per discretion of the approving authority.

6. Delegation of Authority

- Resolution plan to be approved by the MD & CEO on joint recommendation of the National Sales Manager/ National Collection Manager and the Chief Credit Officer (“CCO”).

7. Resolution plan

Below resolution plan can be offered based on an assessment of repayment capacity/ cash flows of the borrower:

- (i) Rescheduling of payments, i.e., reduction in EMI by increase in tenure by a maximum of 2 years.
- (ii) Conversion of any interest accrued, or to be accrued, into another credit facility.
- (iii) Rescheduling of instalments and extension of tenure granted subject to a maximum of 2 years.
- (iv) Granting of moratorium subject to a maximum of two years. Correspondingly, the overall tenor of the loan may also get modified commensurately. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.

8. Asset Classification and Provisioning Norms

- a) **Asset Classification-** If a resolution plan is implemented as per the provisions of the RBI Resolution Framework, the asset classification of the accounts classified as Standard will be retained as Standard upon implementation. The accounts which may have slipped into Non- Performing Asset (“NPA”) category between invocation and implementation will be upgraded as Standard, on the date of implementation of the plan.
- b) **Additional Finance and Asset Classification for such Additional Finance-** The Company may sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower. Such additional finance may be classified as ‘Standard Asset’ till implementation of the plan regardless of actual performance of his/ her loan accounts in the interim. However, if resolution plan is not implemented within the stipulated timelines, the asset classification of additional finance sanctioned will be as per actual performance of the additional finance or the rest of the credit facilities, whichever is worse.
- c) **Provisioning Requirements-** The Company will maintain provisions as per the extant Prudential Norms on ‘Income Recognition, Asset Classification and Provisioning’ norms (“IRAC Norms”) prescribed by the RBI, immediately before implementation or 10 percent of the renegotiated debt exposure post implementation (“Residual Debt”), whichever is higher.

The Company, irrespective of the resolution framework, shall ensure compliance with the provisions of the RBI circular no. DOR (NBFC).CC.PD.No.109/ 22.10.106/ 2019-20 dated March 13, 2020 on Implementation of Indian Accounting Standards (“RBI Ind AS circular”). As reversal done by the

Company shall be in accordance with the 'Resolution Framework 2.0' while ensuring compliance with the 'RBI Ind AS circular'.

9. Post Implementation monitoring

- a) After implementation of the resolution plan in terms of this Policy, the subsequent asset classification will be governed by the applicable IRAC norms.
- b) The provisions required to be maintained under this Policy, to the extent not already reversed, shall be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA.

10. Disclosure and Reporting

- a) The Policy shall be made available on the website of the Company in an easily accessible manner.
- b) **Quarterly Disclosures-** If the Company publishes its quarterly statements, in addition to other required disclosures, it shall make disclosures, as per the format prescribed in Annexure B, in its financial statement for the quarters ending September 30, 2021 and December 31, 2021.

The resolution plans implemented in terms of the Policy should also be included in the continuous disclosures required as per Format B prescribed in the Resolution Framework 1.0, which has been illustrated as Annexure C of the Policy.

The number of borrower accounts where modifications were sanctioned and implemented in terms of the Resolution Framework 1.0, and the aggregate exposure of the Company to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.

- c) **Half Yearly Disclosures-** If the Company publishes its half-yearly statements, in addition to other required disclosures, it shall make disclosures in the format prescribed in Annexure C every half-year, i.e., in the financial statements as on September 30 and March 31, starting from the half-year ending September 30, 2021 till all exposures on which resolution plan was implemented are either fully extinguished or completely slips into NPA, whichever is earlier.
- d) **Annual Disclosures-** If the Company publishes only annual financial statements, along with other required disclosures, it shall make disclosures as per Annexure II format as on March 31, 2021 and, starting from March 31, 2022, as per Annexure C format every March 31 till all exposures on which resolution plan was implemented are either fully extinguished or completely slips into NPA, whichever is earlier.

11. Credit Reporting

The Company, in respect of borrowers where the resolution plan is implemented under the Policy, shall report such accounts as "Restructured due to COVID-19" to the credit information companies. The credit history of the borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured.

Annexure- A

Restructuring Due Diligence Report - Self Employed and AIP			
1	Customer Name		
2	Loan Account Number		
3	Spoke		
4	Hub		
5	Original PD by and Date of PD		
6	Date of Visit		
7	Sanctioned Amount		
8	Month on Book (MOB)		
9	Current EMI		
10	Balance Loan Tenure		
11	Current Rate of Interest		
12	No of months Moratorium Opted		
13	Maximum Bucket (In Last 12 months)		
14	Product		
15	Original Sanctioned Authority		
		At the Time of Original Sanction	As per Current PD
16	Loan Balance	Disbursed Amount	Current Loan Balance

17	Nature of business	<input type="checkbox"/> Manufacturing <input type="checkbox"/> Wholesale <input type="checkbox"/> Trading/Service <input type="checkbox"/> Shop for Daily needs/Services <input type="checkbox"/> Commission Agent <input type="checkbox"/> Contractor <input type="checkbox"/> Professional <input type="checkbox"/> Job Work	<input type="checkbox"/> Manufacturing <input type="checkbox"/> Wholesale <input type="checkbox"/> Trading/Service <input type="checkbox"/> Shop for Daily needs/Services <input type="checkbox"/> Commission Agent <input type="checkbox"/> Contractor <input type="checkbox"/> Professional <input type="checkbox"/> Job Work
18	Industry of Customer		
19	Business Setup Address <i>If any change in business setup addresses please mention reason for same.</i>		
20	Give details of ownership of business premises	<input type="checkbox"/> Self-Owned <input type="checkbox"/> Rented <input type="checkbox"/> Shared <input type="checkbox"/> Family Owned (Rent:_____ Owner:_____)	<input type="checkbox"/> Self-Owned <input type="checkbox"/> Rented <input type="checkbox"/> Shared <input type="checkbox"/> Family Owned (Rent:_____ Owner:_____)
21	How long this business is in operation from same premises and how big are the premises		
22	Describe the type of business; specify the name of products etc., ways and timing of business activities etc.		
23	Business Activity Level	High/Medium/Low/Poor	High/Medium/Low/Poor
24	Net Income (After Excluding all expenses)		
25	EMI which borrower can pay comfortably		
26	CIBIL Score		
27	Cumulative loan Balance of All Live loans as per CIBIL Report		
28	Aggregate monthly EMI Payable as per CIBIL Report		

29	FOIR		
30	LTV	As per Original Sanction: As per current Valuation:	Loan Balance/Property Value as per current valuation
31	Branch Recommendation for Restructuring	<input type="checkbox"/> Reduction in EMI by Tenure Increase <input type="checkbox"/> Sanction of Additional loan <input type="checkbox"/> Moratorium of _____ Months <input type="checkbox"/> Interest to be Reduced to ___%	
(Credit Manager) (Employee ID) (Employee Name)		(Zonal Business Head/RSM) (Employee ID) (Employee Name)	
(National Sales Manager/National Collection Manager)		(Chief Credit Officer)	MD & CEO

Restructuring Due Diligence Report - Bank Salaried/Cash Salaried			
1	Customer Name		
2	Loan Account Number		
3	Spoke		
4	Hub		
5	Original PD by and Date of PD		
6	Date of Visit		
7	Sanctioned Amount		
8	Month on Book (MOB)		
9	Current EMI		
10	Balance Loan Tenure		
11	Current Rate of Interest		
12	No of months Moratorium Opted		
13	Maximum Bucket (In Last 12 months)		
14	Product		
15	Original Sanctioned Authority		
		At the Time of Original Sanction	As per Current PD
16	Loan Balance	<input type="checkbox"/> Disbursed Amount	<input type="checkbox"/> Current Loan Balance
17	Name of Employer		
18	Industry of Employer		
19	Vintage of Customer with Employer		
20	Type of Job:		
21	Salary Drawn:		
22	Any Additional Source of Income if Yes Amount in Rs.		
23	If Loss of Job Expected time to Start New Job (Please provide additional source of Income details)		
24	EMI which borrower can pay		

	comfortably		
25	CIBIL Score		
26	Cumulative loan Balance of All Live loans as per CIBIL Report		
27	Aggregate monthly EMI Payable as per CIBIL Report		
28	FOIR		
29	LTV	As per Original Sanction: As per current Valuation:	Loan Balance/Property Value as of current valuation
30	Branch Recommendation for Restructuring	<input type="checkbox"/> EMI Reduction by Tenure Increase <input type="checkbox"/> Sanction of additional loan <input type="checkbox"/> Moratorium of _____ Months <input type="checkbox"/> Interest to be Reduced to ___%	
(Branch Credit Manager) (Employee ID) (Employee Name)		(Zonal Business Head/Regional Sales Manager) (Employee ID) (Employee Name)	
National Sales Manager/National Collection Manager)		(Chief Credit Officer)	MD & CEO

Annexure- B

Format for disclosures to be made in the quarters ending September 30, 2021 and December 31, 2021

Sl. No.	Description	Individual Borrowers		Small Businesses
		Personal Loans	Business Loans	
(A)	Number of requests received for invoking resolution process			
(B)	Number of accounts where resolution plan has been implemented under this window			
(C)	Exposure to accounts mentioned at (B) before implementation of the plan			
(D)	Of (C), aggregate amount of debt that was converted into other securities			
(E)	Additional funding sanctioned, if any, including between invocation of the plan and implementation			
(F)	Increase in provisions on account of the implementation of the resolution plan			

Annexure- C

Format for disclosures to be made half yearly starting September 30, 2021

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan– Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half- year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal Loans					
Corporate Loans*					
<i>Of which, MSMEs</i>					
<i>Others</i>					
Total					

*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016