



## CENTRUM HOUSING FINANCE LIMITED

### FAIR PRACTICE CODE

Document Title	Fair Practice Code
Approved by	Board of Directors at its meeting held on 7 <sup>th</sup> December, 2016
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**A) BACKGROUND**

Centrum Housing Finance Limited (“**Company**” or “**CHFL**”), as a Housing Finance Company (“**HFC**”), is required to comply with the ‘Fair Practice Code’ prescribed by the Reserve Bank of India (“**RBI**”) under the “Non-Banking Financial Company- Housing Finance Company (Reserve Bank) Directions, 2021” (“**RBI HFC Directions**”) as amended from time to time.

In accordance with the latest directions on the Fair Practice Code prescribed by the RBI, the Company has formulated this Fair Practice Code (“**FPC**” or “**Code**”) for adoption with the approval of its Board of Directors (“**Board**”).

**B) OBJECTIVES OF THE CODE**

The objectives of the Code are as under:

- (i) To promote good and fair practices by setting minimum standards in dealings with customers.
- (ii) To increase transparency so that the customer can have a better understanding of the services.
- (iii) To promote a fair and cordial relationship between customer and the Company.

**C) APPLICABILITY**

This Code is applicable to all products and services, whether they are provided by CHFL or subsidiaries or Digital Lending Platforms (self-owned and/or under an outsourcing arrangement) across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other mode, except in the event of any force majeure. The Code is based on ethical principles of integrity and transparency and all actions and dealings shall follow the spirit of the Code.

This version of the Fair Practice Code shall supersede all earlier versions of the Code adopted by the Company.

**D) FAIR PRACTICE CODE ADOPTED BY THE COMPANY**

**1. With respect to the Applications for Loans and their Processing**

- 1.1. All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- 1.2. In the application form, the Company shall include necessary information which affects the interest of the borrower, so that meaningful comparison with the terms and conditions offered by other HFCs can be made and an informed decision can be taken by the borrower. The Loan application form shall also indicate the list of documents required to be submitted with the application form.
- 1.3. The Company shall transparently disclose to the customer all information about fees/ charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned/ disbursed, pre-payment options and charges, if any, penalty for delayed repayment if any, conversion charges for switching loan from fixed to floating rates or vice versa, existence of any interest re-set clause and any other matter which affects the interest of the customer. Thusly, the Company will disclose ‘all in cost’ inclusive of all charges involved in processing/ sanctioning of loan application in a transparent manner. Further, the Company would also ensure that such charges/ fees are non-discriminatory.

- 1.4. The Company will provide acknowledgement for receipt of all loan applications wherein the time frame within which the loan application would be disposed of, shall be indicated.

**2. Loan Appraisal and Terms/ Conditions**

- 2.1. The Company, at the time of application, will collect all particulars required for processing the loan application. In case it needs any additional information, the customer shall be told immediately that he would be contacted again.
- 2.2. The Company will communicate, to the borrower, the sanction through a document containing various terms & conditions including amount of loan sanctioned, rate of interest applicable, method of application, EMI amount with structure if any, prepayment charges, penal charges etc. A duly accepted copy of such sanction terms will be kept on record.
- 2.3. The Company shall mention the penal charges applicable for delayed payment/ repayment of dues in bold in the loan agreement.
- 2.4. The Company will furnish a copy of the loan agreement along with the copy of other enclosures to the borrower on or before disbursement, against acknowledgement.
- 2.5. In case of rejection of a loan application, the Company will communicate the reasons for rejection of the loan proposal to the borrower.

**3. Disbursement of loans including changes in terms and conditions**

- 3.1. The Company will disburse the sanctioned amount in accordance with the terms & conditions mentioned in the loan agreement.
- 3.2. The Company will give notice to the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc.
- 3.3. If change in terms and conditions is to the disadvantage of the customer, he may within 60 days and without notice close his/ her account without having to pay any extra charges or interest.
- 3.4. Decision to recall/ accelerate payment or performance under the agreement or seeking additional securities, will be in consonance with the loan agreement.

**4. Guarantors**

When a person is considering to be a guarantor to a loan, he/she will be informed about:

- (a) His/ her liability as guarantor;
- (b) The amount of liability that he/she will be committing himself/ herself to the Company;
- (c) Circumstances in which the Company may call on him/ her to pay up his/ her liability;
- (d) Whether the Company has recourse to his/her other monies/ securities available with the Company if he/she fail to pay up as a guarantor;
- (e) Whether his/ her liabilities as a guarantor are limited to a specific quantum or are they unlimited;
- (f) Time and circumstances in which his/ her liabilities as a guarantor will be discharged as also the manner in which the Company will notify him/her about this;
- (g) The Company will keep the guarantor informed of any material adverse change/s in the financial position of the borrower to whom he/ she stands as a guarantor based on the information available to the Company; and

- (h) In case the guarantor refuses to comply with the demand made by the Company, despite having sufficient means to make payment of the dues, such guarantor would also be treated as a wilful defaulter.

## **5. Privacy and Confidentiality**

- 5.1. All personal information of customers, present and past, shall be treated as private and confidential:
- 5.2. The Company will not reveal information or data relating to customer accounts, whether provided by the customers or otherwise, to anyone, including other companies/entities in its group, other than in the following exceptional cases:
- (a) If the information is to be given by law.
  - (b) If there is a duty towards the public to reveal the information.
  - (c) If the Company's interests require to give the information (for example, to prevent fraud) but the same will not be used by the Company, as a reason for giving information about customer or customer accounts [including customer's name and address] to anyone else, including other companies in the group, for marketing purposes.
  - (d) If the customer asks the Company to reveal the information, or with the customer's permission.
  - (e) If the Company is asked to give a reference about the customers, his/ her written permission will be taken before giving it.
- 5.3. The customer will be informed the extent of his/her rights under the existing legal framework for accessing the personal records that the Company holds about him/ her.
- 5.4. The Company will not use customer's personal information for marketing purposes by anyone unless the customer specifically authorizes the Company to do so.

## **6. Credit Information Companies ("CICs") and other verifications**

- 6.1. Whenever a customer applies for a loan from it, the Company may share details of his/ her application with any of the CICs and may conduct any check/ due diligence with any third party as per its own discretion.
- 6.2. The Company shall share required information, as per the extant regulatory requirements, with the CICs about the loan(s)/ credit(s) availed by the customer from it.
- 6.3. The Company shall verify the details mentioned by him/ her in the loan application by contacting him/ her at his/ her residence and/ or on business telephone numbers and/ or physically visiting his/ her residence and/ or business addresses through agencies appointed for this purpose, if deemed necessary by the Company.

## **7. Rate of Interest**

- 7.1. The Company, with approval of the Board or the Asset Liability Management Committee ("ALCO") of the Company or the authority to whom the Board may delegate such powers, shall adopt the Interest Rate Policy taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradation of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower/ customer in the application form and communicated explicitly in the sanction letter.

- 7.2. The Company shall adopt appropriate internal principles and procedures in determining interest rates, processing & other charges keeping the spirit of the applicable RBI Directions in this regard. The Company shall put in place an internal mechanism to monitor the process and the operations so as to ensure adequate transparency in communications with the borrowers.
- 7.3. The benchmark reference rate/ prime lending rate, range of rate of interest offered along with the approach for gradation of risks shall also be made available on the website of the Company. Whenever there is a change in the benchmark reference rate/ prime lending rate and range of rate of interest, the Company shall ensure updation of the same on its website.
- 7.4. The rate of interest shall be annualised rate so that the borrower is aware of the exact rates that would be charged to the account.
- 7.5. Instalments collected from borrowers shall clearly indicate the bifurcation between interest and principal.

## **8. Reset of Floating Rate of Interest**

- 8.1. The Company shall decide applicable floating rate of interest as per the Interest Rate Policy/ Model adopted by it.
- 8.2. In case of a loan on floating rate of interest, the applicable rate of interest may get revised upward or downward, from time to time, as per the terms and conditions mentioned in the sanction letter and/or the loan agreement. Such revision may lead to changes in EMI and/ or tenor or both. Subsequently, any increase in the EMI/tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.
- 8.3. Based on the internal policy parameters adopted by it, the Company, at the time of reset of interest rates, shall provide the option to the borrowers to switch over to a fixed rate.
- 8.4. On reset of the floating rate of interest, the borrowers shall be given the choice to opt for any of the following options:
- (i) enhancement in EMI or elongation of tenor or for a combination of both options; and,
  - (ii) to prepay, either in part or in full, at any point during the tenor of the loan subject applicable foreclosure charges/ pre-payment penalty.
- 8.5. All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by the Company from time to time.
- 8.6. The Company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.
- 8.7. The Company shall share/ make accessible to the borrowers, through appropriate channels, statement/ information with respect to principal and interest recovered, EMI amount, number of EMIs left, annualized rate of interest etc. as per the regulatory requirements.
- 8.8. The Company shall ensure that the statements/ information provided to the borrowers are simple and understandable as much as possible.

## **9. Penal Charges, Fee and Other Charges**

- 9.1. The Company, with approval of its Board or ALCO or the authority to whom the Board may delegate such powers, shall adopt the Policy on Penal Charges, Fee and other Charges, and the same could also be part of the Interest Rate Policy adopted by it.

- 9.2. Penalty, if charged, for non-compliance of terms and conditions of the loan agreement/ contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances.
- 9.3. There shall be no capitalisation of penal charges. However, the Company shall continue to have right to apply compounding of interest in the loan account as per the terms and conditions of the loan agreement/ contract.
- 9.4. The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.
- 9.5. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
- 9.6. The quantum and reason for penal charges shall be clearly disclosed by the Company to the customers in the loan agreement and Most Important Terms & Conditions ("MITC"), in addition to being displayed on its website.
- 9.7. Whenever, the Company shall send reminders to borrowers for non-compliance of material terms and conditions of loan, the applicable penal charges shall also be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.
- 9.8. The Codes mentioned in this paragraph 9 shall be effective from April 01, 2024, onwards. However, for existing/ outstanding loans, the switchover to new penal charges regime shall be ensured on the next review / renewal date falling on or after April 1, 2024, but not later than June 30, 2024.

## **10. Collection/ Recovery of Dues**

- 10.1. The Company shall adopt the 'Guidelines for engaging Recovery Agents' prescribed by the RBI which needs to adhered while engaging any recovery agent.
- 10.2. The Company, by way for loan agreement/ documentation or otherwise, shall explain the terms of repayment including instalment amount, tenure and periodicity of repayment to the borrower. However, if the customer does not adhere to the terms of repayment, a process in accordance with the 'Guidelines for engaging Recovery Agents' prescribed by the RBI, and applicable laws shall be followed for recovery of dues. The process will include reminding the customer by sending him/ her notice or by making personal visits and/ or repossession of security, if any.
- 10.3. The Company will also make a borrower aware of the charges to be borne by the borrower in case of default in repayment, charges of the recovery agency if recovery action is handed over to a recovery agent.
- 10.4. The Company, by way of the loan agreement or otherwise, will also inform the course of action to be adopted by it for recovery of dues from a borrower, in case of default.
- 10.5. The Company's staff or authorized representative for collection of dues and/ or security repossession shall identify himself/ herself and upon request, display his/ her identity card issued by the Company or under the authority of the Company.
- 10.6. For recovery of loans, the Company shall not resort to harassment viz. persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. To ensure that there is no rude behaviour against its customers, the Company shall arrange to train its staff is adequately to deal with the customers in an appropriate manner. The

Company, with the approval of its Board, shall adopt the guidelines prescribed by the RBI for engaging recovery agents.

**11. Complaints and grievances**

- 11.1. The Company shall have a Grievance Redressal Mechanism for receiving, registering and disposing of complaints and grievances in each of its offices, including those received on-line.
- 11.2. Grievance Redressal Mechanism of the Company will also deal with the customer's issues relating to services provided by the Company through such third-party service providers/ outsourced agencies.
- 11.3. The Customer shall be told where to find details of the Company's procedure for handling complaints, fairly and quickly.
- 11.4. If a complaint has been received in writing from a customer, the Company shall endeavour to send him/ her an acknowledgement/ response within a week. The acknowledgement should contain the name & designation of the official who will deal with the grievance. If the complaint is relayed over phone at Company's designated telephone helpdesk or customer service number, the customer shall be provided with a complaint reference number and be kept informed of the progress within a reasonable period of time.
- 11.5. After examining the matter, the Company shall send the customer its final response or explain why it needs more time to respond and shall endeavour to do so within one month of receipt of a complaint and he/ she should be informed how to take his/her complaint further if he/ she is still not satisfied.
- 11.6. The Company shall publicize its Grievance Redressal Procedure/ Mechanism (including e-mail id and other contact details at which the complaints can be lodged, turnaround time for resolving the issue, matrix for escalation, etc.) by displaying the same on its website and offices/ branches. The Grievance Redressal Procedure/ Mechanism shall also indicate that, if the complainant does not receive response from the Company within a period of one month or is dissatisfied with the response received, the complainant may approach the Complaint Redressal Cell/ Grievance Redressal Department of National Housing Bank ("NHB") by lodging its complaints online on the website of NHB or through post to NHB, New Delhi.

**12. Responsibility of the Board**

- 12.1. The Company, with the approval of its Board of Directors, shall lay down the appropriate grievance redressal mechanism within the organization to resolve complaints and grievances. Such a mechanism shall ensure that all disputes arising out of the decisions of the Company and its officials are heard and disposed of at least at the next higher level.
- 12.2. The Company shall ensure periodical review of the compliance of the Code and functioning of the grievance redressal mechanism at various levels of management. A consolidated report of such reviews shall be submitted to the Board at regular intervals, as may be prescribed by it.

**13. Advertising, Marketing and Sales**

- 13.1. The Company will ensure that all advertising and promotional material is clear and factual.
- 13.2. The Company, in any advertising in any media and promotional literature that draws attention to a service or product and includes a reference to an interest rate, shall also

indicate whether other fees and charges, if any, will apply and that full details of the relevant terms and conditions are available on request or on its website.

- 13.3.** The Company will provide information on interest rates, common fees and charges through putting up notices in the branches and also through telephone or helplines; on its website; through designated staff / help desk or by providing service guides and tariff schedules.
- 13.4.** If the Company avails of the services of third parties for providing support services, the Company shall require that such third parties handle customer's personal information (if any available to such third parties) with the same degree of confidentiality and security as the Company would.
- 13.5.** The Company may, from time to time, communicate to customers various features of their products availed by them. Information about their other products or promotional offers in respect of products / services, may be conveyed to customers if he/ she has given his/ her consent to receive such information/ service either by mail or by registering for the same on the website or on customer service number.
- 13.6.** The Company shall adopt Model Code of Conducts for Direct Selling Agents ("DSAs")/ Direct Marketing Agents ("DMAs") with the approval of its Board and, based on the same, prescribe a Code of Conduct for DSAs/ DMAs whose services are availed to market/ distribute the products/ services. Such DSAs/ DMAs shall be required to identify themselves when they approach a customer personally or through phone.
- 13.7.** In the event of receipt of any complaint from the customer that the Company's representative/ or DSA/ DMA has engaged in any improper conduct or acted in violation of this code, appropriate steps shall be initiated to investigate and to handle the complaint and to make good the loss, if any, to the customer.
- 13.8.** The Company will, from time to time, communicate to customers various features of the products and services availed by them.

#### **14. Pre- Payment/ Foreclosure Charges**

- 14.1.** The Company shall not charge pre-payment levy or penalty on pre-closure of housing loans under the following situations:
- (a) Where the housing loan is on floating interest rate basis and pre-closed from any source.
  - (b) Where the housing loan is on fixed interest rate basis and the loan is pre-closed by the borrower(s) out of its/ their own sources.
- The expression "own sources" for the purpose means any source other than by borrowing from a bank/ HFC/ NBFC and/or a financial institution.
- 14.2.** All dual/ special rate (combination of fixed and floating) housing loans will attract the pre-closure norms applicable to fixed/ floating rate depending on whether at the time of pre-closure, the loan is on fixed or floating rate. In case of a dual/ special rate housing loans, the pre-closure norm for floating rate will apply once the loan has been converted into floating rate loan, after the expiry of the fixed interest rate period. It is also clarified that a fixed rate loan is one where the rate is fixed for entire duration of the loan.
- 14.3.** The Company shall not impose foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).

**15. Return/ Release of Title/ Security Documents**

- 15.1.** The Company, upon full repayment/ clearance of the loan(s) and related liabilities, will return/ release securities and/or title/ security documents submitted by the borrower for creation security in favour of the Company against the loan/ credit availed. However, such release of securities and/or title/ security documents shall be subject to any legitimate right or lien for any other claim the Company may have against the borrower. If such right of set off is to be exercised, the Company will give notice to the borrower about the same with full particulars about the remaining claims and the conditions under which the Company is entitled to retain the securities till the relevant claim is settled/ paid.
- 15.2.** The Company shall release all the original movable/ immovable property documents and take actions/ file charge satisfaction form with relevant registry to remove charges registered within a period of 30 days after full repayment/ settlement of the loan account.
- 15.3.** The borrower shall be given the option of collecting the original movable / immovable property documents either from the Company's branch where the loan account was serviced or any other office of the Company where the documents are available, as per her/ his preference. The timeline and place of return of original movable / immovable property documents will be mentioned in the loan sanction letters issued on or after the effective date.
- 15.4.** In order to address the contingent event of demise of the sole borrower or joint borrowers, the Company shall have a well laid out procedure for return of original movable / immovable property documents to the legal heirs. Such procedure shall be displayed on the website of the Company along with other similar policies and procedures for customer information.

**15.5. Compensation for delay in release of Movable / Immovable Property Documents**

- 15.5.1.** In case of delay in releasing of original movable / immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, the Company shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the Company, it shall compensate the borrower at the rate of ₹5,000/- for each day of delay.
- 15.5.2.** In case of loss/damage to original movable / immovable property documents, either in part or in full, the Company shall assist the borrower in obtaining duplicate/certified copies of the movable / immovable property documents and shall bear the associated costs. However, in case of delay in such instances, an additional time of 30 days will be available to the Company to complete this procedure and the delayed period penalty mentioned in the preceding paragraph would be calculated thereafter (i.e., after a total period of 60 days).

**16. General/ Other Commitments**

- 16.1.** The Company shall refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless information, not earlier disclosed by the borrower, has been noticed).
- 16.2.** In case of receipt of request from the borrower for transfer of his/ her loan facility, the consent or objection of the Company, if any, shall be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per the applicable transparent contractual terms, in accordance with the applicable laws and regulations.
- 16.3.** To facilitate quick and good understanding of the major terms & conditions of housing loan agreed between the Company and an individual borrower, the Company shall provide a

document containing the Most Important Terms and Conditions (“MITC”) of such loan in all cases in the format prescribed under the RBI HFC Directions. The MITC, prepared in English/ Hindi or the language understood by the borrower, will be in addition to other existing loan and security related documents to be/ being obtained by the Company and duplicate copy of the same duly executed between the Company and the borrower shall be handed over to the borrower under acknowledgement.

- 16.4.** The Company, to promote transparency in its operations, shall display various key aspects such as service charges, interest rates, penal charges, processing fee, services offered, product information, norms for turnaround time for various transactions and grievance redressal mechanism, etc. in its branches/ offices and/or on its website, as may be required. Further, the Company, as per the regulatory requirements prescribed by the RBI, shall follow the instructions on ‘Notice Board’, ‘Booklets/ Brochures’, ‘Website’, ‘Other Modes of Display’ and on ‘Other Issues’.
- 16.5.** The Company shall help the customer to understand the Company’s products and services by providing / giving information in any one or more of the following languages: Hindi, English or the appropriate local language as applicable.
- 16.6.** The Company will not discriminate on grounds of sex, caste and religion in the matter of lending. Further, the Company will also not discriminate visually impaired or physically challenged applicants on the ground of disability in extending products, services, facilities etc. However, this does not preclude the Company from instituting or participating in schemes framed for different sections of the society.
- 16.7.** To publicise the Code, the Company shall:
- (a) Provide existing and new customers with a copy of the Code.
  - (b) Make the Code available on request either over the counter or by electronic communication or mail;
  - (c) Make available this Code at every branch and on the Company's website; and
  - (d) Ensure that the staff is trained to provide relevant information and the Code and put the Code into practice.

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