

COVID-19 Moratorium Policy

Moratorium on Repayments of Term Loans

Introduction

The Covid-19 outbreak was declared a Public Health Emergency of International Concern on 30 January 2020. Thereafter, on March 11, 2020, the World Health Organization declared pandemic for COVID 19 which has impacted the almost all countries around the world, including India. Eventually, the Indian Government announced a lock down across India to restrict the spread of the virus. Due to the sudden disruption, economic activity across all sectors has been impacted which will lead to delay in cash flows/salary credits for self-employed and salaried segments respectively. This would impact their loan repayments capacity as well resulting in delayed payments and defaults.

The Indian government in order to balance the economic impact has brought various measures in one of which, the Reserve Bank of India (RBI) has issued COVID-19- Regulatory Package 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. This policy of the Company is based on RBI Notification RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 on COVID-19 – Regulatory Package

In this regard, lending institutions including housing finance companies have been permitted to grant a moratorium of three months on payment of all instalments falling due between March 1, 2020 and May 31, 2020. Accordingly, the following policy has been adopted by the Board of Directors of Ummeed Housing Finance Private Limited (“Ummeed”) in its meeting dated 3rd April’2020 to extend the benefit to customers 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.

Objective

The policy sets out the framework and guidelines for extending Moratorium to the Borrowers who are affected by the COVID-19 Lockdown and other measures in that respect.

This is a one-time Package in line with the aforesaid notification of the RBI.

Policy Approval

The Policy and any significant changes therein in lines of the RBI Guidelines shall be approved by the Board of Directors of the Company.

Eligibility of the borrowers

Borrowers satisfying the following criteria would be eligible for the moratorium:

1. All individual and non-individual borrowers (including incorporated companies, partnerships & proprietorships etc.) having outstanding loans as at March 1, 2020.

2. Loan account can be standard or otherwise, however, it must not be written off in the books as on March 1, 2020.
3. The borrower must be agreeable to the terms and conditions that would govern the moratorium & show the willingness to repay the loan after the moratorium. Offer and acceptance to be documented (Email/SMS/digital document/voice recording/physical document).
4. Securitized / Direct Assignment accounts will also be eligible with necessary consent from the other Lender / trustee/ investor /assignee, as the case may be.

Moratorium Period:

The Moratorium facility is available for the Customer for their payment of all or any of the three instalments falling due between March 1, 2020 and May 31, 2020. Any interest and principal payment falling due between aforesaid dates shall be extended for a period of 3 months from each of the due dates, respectively. The repayment schedule for such loans as also the residual tenor, will be shifted across the board by up to three months after the moratorium period.

The moratorium is, therefore, provided as follows:

- a. All EMIs falling due from 1st March 2020 to 31st May, 2020 [the period between 1st March, 2020 and 31st May 2020 will be referred to as **Moratorium Period**], will be given the benefit of the moratorium as provided in details here.
- b. For EMIs which have fallen due during Moratorium Period, the benefit of the Moratorium shall be available for the remaining EMIs falling due for payment during the Moratorium Period.
- c. Accordingly, the EMIs that fell due on 5th March 2020 and have already been paid, the Moratorium shall only be for the EMIs falling due on 5th April and 5th May, 2020.

Other Conditions:

1. For the moratorium period, interest would be charged on principal outstanding as on due date(s) of the moratorium period. No default/penal interest shall be charged on the Moratorium Period over and above the normal accrued interest.
2. Status quo would be maintained in respect of asset classification of the account.
3. 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.
4. The deferment of re-payments, including interest, due to moratorium 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.

Procedural Aspects

1. The benefit of the Moratorium has to be specifically opted by the Borrower. The borrowers shall approach Ummeed with a request & provide their consent for availing the moratorium.
2. In such a case, Ummeed shall evaluate the proposal of the borrower:

1. Borrowers who have already paid outstanding instalments for the month of March 2020 can be granted moratorium for the month of April 2020 and May 2020 only, subject to the consent of the borrowers.
3. Based on the merits of the case, moratorium can be granted:
 - I. The ***business team*** shall assess the reasons, timing and requirement of the borrower and recommend the case to Credit Committee
 - II. Credit committee to approve cases to be considered under Moratorium benefit
 - III. Once the loan is approved for granting moratorium, requisite changes shall be made in the repayment schedule
 - IV. Revised repayment schedule to be shared with the customer.
 - V. The decision to grant moratorium along with the revised terms shall be communicated either through Email/SMS/digital document/voice recording/physical document, to the borrower and unless otherwise expressly denied by the borrower the same shall be treated as deemed acceptance of the borrower.
 - VI. The PDC or NACH of such borrowers shall not be presented for encashment as per the existing terms.
4. Accounts /Finance /Compliance team shall be notified to ensure that there is no degradation in asset classification
5. The borrower needs to complete the below documentation and submit:
 1. Accepted repayment schedule with revised terms.
 2. Revised instrument for repayment of loan (ACH/ECS/PDC and SPDC).

Re-scheduling and Payment of accrued Interest for the Moratorium Period

1. Interest accrued during the moratorium period would be debited to the loan account of the borrower and credited to interest income account of P&L of the HFC. Borrower would be free to opt for moratorium till May 31, 2020.
2. The interest levied on the outstanding loan amount (during the moratorium period) will result in an increase of the loan tenure or an increase in the amount of existing EMI or will be taken as a bullet payment in the last installment
3. No penalty or delayed payment charges shall be charged for deferred for existing loan repayments during this period.

Asset classification and provisioning requirement

1. The moratorium period will not be considered for computing default and hence, it will not result in any asset classification downgrade.
2. The loan already classified as NPA shall continue with the same classification, however, may be granted an exemption from payment during the moratorium period and there shall not be any further asset classification deterioration during the moratorium period.
3. The asset classification of such loans shall be determined on the basis of revised due dates and the revised repayment schedule and accordingly the provisioning requirement shall be determined and complied with.
4. Further, appropriate disclosures in the financial statements, under 'Notes on Accounts', shall be made.

Limitations

1. Minimum Period for the EMI moratorium is *1 month* and maximum up to 3 months.
2. Borrowers under DRT, SARFAESI, Insolvency proceedings or classified as 'Fraud', will continue to remain ineligible.
3. Borrowers who are tagged as deceased/not reachable/willful defaulters will be evaluated before extending the Moratorium.

Reporting requirements

1. The loan accounts who have been granted moratorium shall be flagged separately in the system for identification.
2. All regulatory and bureau reporting shall be done in line with regulatory requirements and internal guidelines.
3. 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)

Disclosure

The Policy shall be published on website of Ummeed and borrowers shall be intimated about the option to avail the moratorium benefit by sending SMS at their registered mobile number and/or email communication on registered email id (wherever available).

Approval and amendments

1. This Policy defining the operational details of the moratorium will be rolled out with approval from the Board of Directors. The Board of Directors or such person as may be authorized by the Board shall have the power to amend/alter/substitute any of the provision or clause of this Policy.
2. In case the RBI proposes any further forbearance in future, the same shall be applicable upon obtaining necessary approval from the Board of Directors.