



ROHA FINANCE PVT LIMITED

Policy on Co-Lending (CLM Model-I & II)

A. Document Control

Type of Information	Description
Document Title	Policy on Co-Lending (CLM Model-I & II)
Document Version Number	2.0
Issue Date	01-03-2023
Last Review Date	31-01-2024
Next Review Date	31-01-2025

B. Version Change History

Version	Date	Approved by	Description
1.0	01-03-2023	Board of Directors	Initial Release
2.0	31-01-2024	Board of Directors	Review of Policy

Contents

1. Preamble.....	3
2. Objective of the policy.....	3
3. Co-Lending policy.....	3
4. Methods of co-lending.....	4
5. Eligible banks/financial institutions.....	4
6. Products Eligible for Co-lending.....	4
7. Business Sourcing, Funding and Servicing.....	5
8. Know Your Customer (KYC).....	5
9. Collection and Recovery.....	5
10. Master Agreement.....	5-6
11. Rate of Interest & Fee Sharing.....	6
12. Account Management.....	6
13. Monitoring & Recovery.....	6
14. Security & Charge Creation.....	6
15. Provisioning.....	7
16. Customer Dealing.....	7
17. Grievance Redressal.....	7
18. Business Continuity Plan.....	7
19. Other Features.....	7-8
20. Policy Review.....	8

1. PREAMBLE

Reserve Bank of India has issued a circular dated November 05th, 2020 on Co-Lending by Banks and NBFCs (Including Housing Finance Companies) regarding Priority Sector Lending (RBI/2020-21/63, FIDD.CO.Plan. BC.No.8/04.09.01/2020-21) (“Circular”) superseding its earlier circular dated September 21, 2018 on co-origination by banks and NBFCs for lending to priority sectors. Under the new Circular of RBI Co-Origination between Bank and NBFC, the policy is rechristened as Co-Lending Model (“CLM”) and the Circular introduced changes to bring operational flexibility to the lenders.

The Reserve Bank of India’s (RBI) aim is to provide competitive credit flow to the unserved and underserved segments of the ecosystem to achieve financial inclusion. Considering wider geographical reach and ability of NBFCs to operate on affordable infrastructures, RBI has introduced Co- Lending model through which banks and NBFCs/ HFCs can collaborate to improve the flow of credit to such segments.

The Co-Lending model should entail joint contribution of credit by both the lenders. It should also involve sharing of risks and rewards between the HFC and the Bank/FI/SME Lenders for appropriate alignment of respective business objectives, as per mutually decided agreement between NBFC/HFC and the Bank/FI/SME Lenders.

Under the Co-Lending model Roha Housing Finance Private Limited (hereinafter referred to as “RHFPL” or “the Company”) shall be responsible for origination of loans, including but not limited to sourcing of customers/ borrowers, credit assessment (as a co-lender), monitoring of loans and collections from the customers and requisite regulatory reporting. RHFPL shall also act as a servicing and collection agent for the loans co-lent by RHFPL & the partner bank/FI/SME Lenders.

2. Objective of the Policy

This Policy shall be treated as the guidelines for strategic alliance with various Banks/FIs/ SME Lenders for Co-Lending of loans and shall be read along with relevant guidelines issued by the regulators Reserve Bank of India, Ministry of Finance etc. In case of any conflict between the Policy and any applicable Regulations, the Regulations shall prevail.

3. Co-Lending Policy

To further scale-up the business & operations of the Company and for providing wider reach, RHFPL shall explore Co-Lending opportunities with various Banks/FIs/SME Lenders under all possible models of Co-Lending.

Roha Housing Finance Private Limited (RHFPL) will enter into discussion and finalize the modalities of Co-Lending. A Master Co-Lending/ Co-origination/ equivalent agreement will be executed, with the partner Bank/FI/SME Lenders for defining terms & conditions of the Co-Lending arrangement, participation ratio, commercial arrangements, pre-agreed hybrid credit policies and operating procedures/ guidelines.

Terms of the Co-Lending arrangement including Master Co-Lending/ Co-origination/ any such agreement required in this matter shall be approved by the Working Committee of the Company.

4. Methods of Co-Lending.

RHFPL shall, on the basis of discussion with partner Bank/FI/SME Lenders, enter into CLM Master Agreements for implementing the model.

- a. the bank to mandatorily take their share of the individual loans as originated by the NBFC in their books (herein after referred to as “Model 1”)

If the Agreement entails a prior, irrevocable commitment on the part of the bank to take into its books its share of the individual loans as originated by the RHFPL, the arrangement must comply with the extant guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks issued vide RBI/2014-15/497/DBR.No.BP.BC.76/21.04.158/2014-15 dated March 11, 2015 and updated from time to time. In particular, the partner bank/FI/SME Lenders and RHFPL shall have to put in place suitable mechanisms for ex-ante due diligence by the bank/FI/SME Lenders as the credit sanction process cannot be outsourced under the extant guidelines on Outsourcing.

- b. Retain the discretion to reject certain loans subject to its due diligence (herein after referred to as “Model 2”).

If the bank exercises its discretion regarding taking into its books the loans originated by RHFPL as per the CLM Master Agreement, the arrangement will be akin to a direct assignment transaction. Accordingly, the taking over bank shall ensure compliance with all the requirements in terms of Guidelines on Transactions Involving Transfer of Assets through Direct Assignment of Cash Flows and the Underlying Securities issued vide RBI/2011-12/540 DBOD.No.BP.BC-103/21.04.177/2011- 12 dated May 07, 2012 and RBI//2012- 13/170 DNBS. PD. No. 301/3.10.01/2012-13 August 21, 2012 respectively, as updated from time to time, with the exception of Minimum Holding Period (MHP) which shall not be applicable in such transactions undertaken in terms of this CLM. The MHP exemption shall be available only in cases where the prior agreement between the banks/FI/SME Lenders and RHFPL contains a back-to-back basis clause and complies with all other conditions stipulated in the guidelines for direct assignment.

5. Eligible Banks/ Financial Institutions

RHFPL may enter into Co-Lending arrangement with any of the Banks, Financial Institution or SME Lenders which are eligible to engage in the business of Co-Lending by RBI.

6. Products Eligible for Co-lending

A common product program with single product or multiple products shall be agreed with the co-lending partner. All the existing products of the Company applicable under regulatory guidelines, i.e. Housing Loan(HL) and Loan against Property (LAP) shall be eligible for Co-Lending of loans. Lending to be made to priority sector defined by RBI and non-priority sector which shall include for funding towards micro, small & medium enterprises, export credit, education, housing, social infrastructure, renewable energy, startups etc. Before entering into the Master Agreement with participating Banks/FI/SME Lenders. RHFPL will discuss to agree on loan products, which are eligible under the respective CLM / Master Agreement.

7. Business Sourcing, Funding and Servicing

- i. Unless otherwise provided in the applicable regulations, RHFPL shall be responsible for sourcing/ origination of the loans under CLM Model 1/Model 2. Process of loan sanction and disbursal shall be as per the agreed terms as defined in the Master Co-Lending arrangement/Standard Operating Procedures agreed with respective Co-Lending partner.
- ii. Escrow (or equivalent) common account shall be opened for disbursals/ collections. Terms of the appropriation of cash flows shall be defined in the Master Co-Lending arrangement/Standard Operating Procedures.
- iii. RHFPL shall maintain individual borrower's account for its share/ contribution as well as a single unified statement for the borrower considering share of both RHFPL & the co- Lending partner.
- iv. Any other services that are provided to the borrower by RHFPL/ Bank/ FI shall be governed by the terms & conditions of the Master Co-Lending arrangement.
- v. RHFPL may enter in to co-lending arrangement with NBFCs/HFCs/SME Lenders for origination of HL/LAP loans.
- vi. Participation between the co-lending banks and RHFPL in their capacity as lenders, shall be mutually agreed ratio with minimum 20% of the credit risk by way of direct exposure shall be on RHFPL's book till maturity.

8. Know Your Customer (KYC)

RHFPL shall adhere to applicable KYC and AML guidelines issued by RBI as updated from time to time. The Company shall carry out proper due diligence. However, even if the Company is carrying out the KYC compliances for verifying the identity of the customers at the inception, the Bank/FI/SME Lenders shall also ensure that the ultimate responsibility and decision- making functions of determining compliance with KYC norms are met with.

9. Collection and Recovery

RHFPL shall follow appropriate framework for documenting, maintaining and testing business continuity and recovery procedures as mutually agreed with the Co-Lending Partner from time to time. RHFPL shall execute a Service/ Collection Agreement/SOP's with the Co-Lending Partner which shall layout the SOPs, which both parties must abide by.

10. Master Agreement

- a. A Master Agreement shall be entered into between RHFPL and the partner Bank/FI/SME which shall include terms and conditions of the arrangement, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities as well as customer interface and protection issues
- b. The Master Agreement may provide for the banks to either mandatorily take their share of the

individual loans originated by RHFPL in their books as per the terms of the agreement **OR** to retain the discretion to reject certain loans after their due diligence prior to taking in their books Loan amount.

- c. As per compliance with RBI Circular on CLM dated November 05, 2020, the Master Agreement will incorporate commercial elements such as interest rate, sharing of sourcing and processing fees, crossing rights and revenue sharing, post disbursement servicing arrangement and fees applicable thereto.

11. Rate of Interest & Fee Sharing

- a. Borrower may be charged an all-inclusive interest rate as may be agreed upon by both the S lenders conforming to the extant guidelines applicable to both lenders;
- b. Upon repayment, the interest shall be shared between RHFPL and the banks, Financial Institution or SME Lenders in proportion to their share of credit and interest rate;
- c. RHFPL may charge a specified percentage, as negotiated with partnering banks, Financial Institution or SME Lenders towards its services for sourcing;
- d. In cases where RHFPL acts as a servicing and collection agent (which will generally be the case), a separate fee for the same will be charged as agreed mutually;
- e. Any other charges, as applicable may be shared as mutually agreed with the partner bank.

12. Account Management

The Co-lending Bank, Financial Institution or SME Lenders and RHFPL shall maintain each individual borrower's account for their respective exposures. However, all transactions (disbursements/ repayments) between the banks, Financial Institution or SME Lenders and NBFCs relating to CLM shall be routed through an escrow account maintained with the bank, in order to avoid inter-mingling of funds. The Master Agreement shall clearly specify the manner of appropriation between the co-lenders.

13. Monitoring & Recovery

- i. There shall be a system for regular monitoring of all the process like loan origination, loan management, disbursements, collection etc. in consultation with respective Co-Lending Bank, Financial Institution or SME Lenders.
- ii. The loans under the CLM shall be included in the scope of internal/statutory audit to ensure adherence to our internal guidelines, terms of the agreement and extant regulatory requirements

14. Security & Charge Creation

- i. RHFPL along with partnering bank, financial institution or SME Lenders depending on terms of agreement, shall arrange for creation of security and charge as per mutually agreeable terms.

15. Provisioning

- I. RHFPL shall adhere to the asset classification and provisioning requirement including reporting to Credit Information Companies for its share of the loan account or as agreed between the partners.
- II. In case of event of default, provisions shall be provided in books for the mentioned loan (RHFPL's part) as per internal board approved policy. Any additional provisions shall be made on case-to- case basis.

16. Customer Dealing

- i. RHFPL shall be single point of interface for the customers and shall enter into a loan agreement with the borrower which shall clearly contain the features of the arrangement along with the roles and responsibilities of RHFPL and the partnering bank, financial institution or SME Lenders.
- ii. All the details of the arrangement shall be disclosed to the customers upfront and their explicit consent shall be taken.
- iii. The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the partnering bank, financial institution or SME Lenders and RHFPL therein shall be applicable mutatis mutandis in respect of loans given under the arrangement.
- iv. RHFPL should be able to generate a single unified statement of the customer, through appropriate sharing arrangements with the partnering bank, financial institution or SME Lenders.
- v. With regard to grievance redressal, suitable arrangement must be put in place by the co-lenders to resolve any complaint registered by a borrower with RHFPL within 30 days.

17. Grievance Redressal

RHFPL will be primarily responsible for customer service and for resolving customer grievances of the borrower. However, any complaint registered by a borrower with RHFPL shall also be shared with Co-Lending partner.

18. Business Continuity Plan

As mutually agreed between RHFPL and the co-lending partner, the parties shall formulate a business continuity plan to ensure uninterrupted service to the borrowers till final maturity of the loans under the Co-Lending agreement, in the event of termination of co-Lending arrangement between the co-lenders.

19. Other Features

- i. Any assignment of RHFPL's share of loan under co-lending arrangement to a third party can be done only with the consent of the partnering bank, financial institution or SME Lenders.

- ii. RHFPL shall ensure uninterrupted service to their borrowers, on-boarded under the current CLM, till repayment of the loans even in the event of termination of co-lending arrangement between the co-lenders.

20. Policy Review

The Policy should be subjected to an annual review by the management and any warranted modifications should be taken up for the approval of the Board. If there are any amendments in the regulations, revision in the policy should be staged for Board's approval in the immediately ensuing Board Meeting, after the amendments are notified by the regulator.