



GIC HOUSING FINANCE LTD

POLICY ON RESET OF FLOATING INTEREST RATE ON INDIVIDUAL HOUSING LOAN

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Table of Contents

1. Background	3
2. Specific points raised as per Directions.....	3
3. Objective	4
4. Interest Rate Model.....	4
5. Monitoring and review	5



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1. Background

RBI has vide its Circular RBI/2023-24/55 DOR.MCS.REC.32/01.01.003/2023-2024 DATED August 18th, 2023 and their earlier circulars bearing reference no. DBR.No.Dir.BC.10/13.03.00/2015-16 dated July 01, 2015, Master Directions no. DNBR.PD.007/03.10.119/2016-17 dated September 01, 2016, DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016 and DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated February 17, 2021 vide which the guidelines pertaining to Fair Practices Code for lenders have been issued to SCBs, NBFCs and HFCs, respectively.

As per the instructions of Reserve Bank of India, pertaining to the above guidelines issued under Fair Practices Code for lenders, regulated entities (REs) have the freedom to offer all categories of advances either on fixed or on floating interest rates basis.

2. Specific points referred to in the said Circular are,

- (i) At time of sanction of EMI based Floating Rate Individual Housing loans RE's are required to take into account the repayment capacity of borrowers to ensure that adequate headroom/ margin is available for elongation of tenure and/ or increase in EMI, in the scenario of possible increase in the external benchmark rate during the tenure of the loan.
- (ii) However, in respect of EMI based floating rate individual home loans, in the wake of rising interest rates, several consumer grievances related to elongation of loan tenure and/or increase in EMI amount, without proper communication with and/or consent of the borrowers have been received by them.

In order to address these concerns, RBI has advised all HFC's to put in place an appropriate policy framework to address the above concerns.

3.Objective: Through this Policy Company with approval of Board will lay down appropriate internal principles and procedures with respect to the above instructions for individual housing loans advanced to all existing and new customers under "Floating Rate Scheme". The Company will apply best industry practices so long as such practice does not conflict with or violate RBI guidelines.

4.Interest Rate Model: Company presently adopts the BPLR (Benchmark Prime Lending Rate) for its various loan products which is decided by its "Internal Pricing Committee", from time to time.

4(a) **Elongation of tenure permissible** "A maximum term of 10 yrs over and above balance tenure at time of reset of Rate of Interest will be permissible to the Borrower". In case, the revised EMI is not sufficient, then EMI to be increased suitably.

4(b) The Policy of the Company for Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Housing loans to be adopted is as follows:

- (i) **Communication to Customers:** At the time of sanction, GICHF shall clearly communicate to the borrowers about the possible impact of change in benchmark interest rate on the loan leading to changes in EMI and/or tenure or both. The Loan Agreement shall have a clause to this effect. Subsequently, any increase in the EMI/ tenure or both on account of the above shall be communicated to the borrower immediately through appropriate channels like SMS / mailers and same to be updated on the website of the Company and Notice Board at all Branch Offices.
- (ii) At the time of reset of interest rates, GICHF shall provide an option to the borrowers to switch over to a fixed rate.
- (iii) The borrowers shall also be given the choice to opt for (i) enhancement in EMI or elongation of tenure or for a combination of both options; and, (ii) to prepay, either in part or in full, at any point during the tenure of the loan.
- (iv) 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 / Most Important Terms and Conditions (MITC) and also at the time of revision of such charges/ costs by GICHF from time to time.
- (v) GICHF shall ensure that the elongation of tenure in case of floating rate loan does not result in negative amortisation.
- (vi) GICHF shall share / make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest / Annual Percentage Rate (APR)

for the entire tenure of the loan. GICHF shall ensure that the statements are simple and easily understood by the borrower. These instructions would apply, to all existing equated instalment based loans of different periodicities and under its "Floating Rate Scheme" offered to customers from time to time.

GICHF shall ensure that the above instructions are extended to the existing as well as new loans suitably by **December 31, 2023**. All existing borrowers shall be sent a communication, through appropriate channels SMS / mailers intimating the options available to them and same to be updated on the website of the Company and Notice Board at all branch Offices.

5. Monitoring and Review:

The Company has formed an internal committee '**Interest Rate Pricing Committee**' to review the interest rates. The committee reviews the interest rates periodically and especially whenever there is change in the key rates by RBI and our cost of funds.
