Family Home Finance Private Limited

Interest Rate and Gradation of Risks Policy

Adopted/ Amendment	Board Meeting Date(s)
Adoption of the Policy	April 25, 2018
Amendment of the Policy	December 04, 2023

Last reviewed on July 25, 2025

1. Preface

The National Housing Bank (NHB) vide its Notification No. NHB(ND)/DRS/POL-No. 29/2009 dated 2 June 2009 and vide its Guidelines on Fair Practices Code for Housing Finance Company's (HFC's) and The Reserve Bank of India (RBI) vide its Notification No. RBI/2020-21/73 DOR. FIN. HFC. CC. No. 120/03.10.136/2020-21 Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 ("**RBI Master Directions**") dated February 17, 2021, as amended from time to time, has directed all HFCs to communicate the annualized rate of Interest to the borrower along with the approach of gradation of risk and rationale for charging different rate of interest to different categories of borrowers and to make available the rates of interest and the approach for gradation of risk on web-site of the companies.

Family Home Finance Private Limited ("FHFPL" or "Company"), offers a bouquet of lending products to its clients. To comply with the above regulatory directives as cited above and the good governance practice, the Company has adopted the following process/ model to compute the interest rate to lend to its Borrowers. This interest rate would vary for different classes of Borrowers based on various factors described below.

2. Interest Rate Model

The business model of Company focuses on providing credit only to borrower meeting the credit standards of FHFPL for varying tenors. The interest rate applicable to each loan account, within the applicable range is assessed on a case specific basis, based on evaluation of various factors as follows:

a) Tenor of the Loan & Payment Terms - : The rate of interest charged will depend on the term of the loan and terms of payment of interest (viz monthly, quarterly, semi-annual, annual repayment, at maturity); terms of repayment of principal; moratorium period etc.

b) Internal and External Costs of Funds The rate of interest charged will also be determined depending on the rate at which funds necessary to provide loan facilities to borrower are sourced by the Company, normally referred to as internal cost of funds. From an external cost of funds perspective, the benchmark interest rate that may be used by the Company is MCLR and/or base rate of the State Bank of India or as adjusted for the rating spreads available in the markets.

c) Internal cost loading – The interest rate charged will also take into account costs of doing business. Factors such as the complexity of the transaction, the size of the transaction and other factors that affect the costs associated with a particular transaction will also be taken into account before arriving at the final rate of interest quoted to borrower.

d) Credit Risk - as a matter of prudence, credit loss (risk) cost would be factored into all transactions. The amount of credit risk cost applicable to a particular transaction depends on the internal assessment of the credit strength of the borrower/transaction.

e) Fixed versus Floating: – The applicable rate of interest shall also be commensurate from the perspective of the fixed versus floating interest rate requirements of the borrower and the company's borrowing profile.

f) Margin: A markup to reflect other costs / overheads to be charged to the loan and our designed margin.

g) Periodicity of Interest -Interest will be charged for the period as stipulated in the loan agreement, subject to any modifications thereto as may be agreed by and between the Company and the borrower, in writing.

h) Other Factors – Matching tenor cost, market liquidity, RBI Policies on credit flow, offerings by competition, stability in earnings and employment, subvention and subsidies available, deviations permitted, further business opportunities, external ratings, industry trends, switchover options will also be relevant factors in determining interest rate to be charged.

2.1 Rate of Interest:

The Interest rates charged to the borrower for Loan Products could be on fixed rate basis or floating rate basis. In case of floating interest rates, the interest rates would be an aggregation of the Benchmark Prime Lending Rate ("BPLR") and a Spread. The Company can alternatively opt for an independent and transparent benchmark for pricing floating rate loans.

2.2 Computation of BPLR

The Company would consider the following factors while arriving at the BPLR:

i. Borrowing costs of the company, which may vary based on the credit rating of the company, tenor of the borrowing, principal repayment terms and the extent of security, if any, offered by the Company for such borrowing;
ii. Cost of capital (dividend outgo and coupon rate in the case of Tier II Capital);
iii. Operating Expenses; and
iv. Margin, covering Regulatory provisions, if any, Capital Charge and Profit Margin.

Based on the above, the Company's BPLR shall be arrived.

The Assets & Liability Management Committee (ALCO) will periodically approve/ review the BPLR subject to at least one review every quarter and may prescribe a change in BPLR at its sole discretion. The Board of the Company in their meeting shall be kept informed about the changes made in BPLR since the previous meeting. The estimation and the methodology for calculating the BPLR may be changed at any time with the approval of the ALCO.

2.3 Computation of Spread

The overall Spread for any loan will be an aggregation of the Term Spread and the Credit Spread each of which will generally be computed as follows:

2.3.1 Term Spread

While computing the Term Spread, the Company will take the following factors into account:

- General prevailing MIBOR rates, G-Sec rates and Non SLR Bond rates;
- Expected Interest rate volatility; and
- Term Structure of the Company's Borrowings;

The actual Term Spread charged for any lending and any future change therein will be approved by the Loan Committee at its sole discretion keeping in mind factors such as the reference Term Spread, quantum of the loan, the then prevailing liquidity conditions in the market, the likely drawdown schedule etc.

2.3.2 Credit Spread

Credit Spread would be based on the internal analysis / credit score assigned to the Facility. While arriving at the credit score for the Facility, the Company will, inter-alia, take into account Borrower / Facility grading factors mentioned below:

- Borrower and Borrower Group credentials which include background, nature of business/service, business vintage, financial profile including networth, liquidity, profitability, debt repayment capability etc.;
- Track record of honoring commitments relating to interest/principal servicing and security/margin top ups;
- External credit rating;
- End use of funds;
- Security cover including value and liquidity;
- Credit Market conditions
- Any other criteria specific to the transaction.

The Loan Committee / Sanctioning Authority may periodically review Credit Spread charged on loans and may prescribe a change in Credit Spread at its sole discretion. Any revision in the interest rate pursuant to a change in the Credit Spread shall become applicable to the Borrower from the effective date of such revision and the same shall be communicated to the Borrower.

2.4 Other Terms

a) The Loan Committee/ Sanctioning Authority may periodically review Spread charged on loans and may prescribe a change in Spread at its sole discretion.
b) Loan amount, Annualized Rate of Interest and tenure of loan will be communicated to the borrower in the sanction letter and the apportionment of installments towards interest and principal dues shall be made available to the borrower.
c) Besides normal Interest, the Company may levy additional interest for adhoc facilities, penal charges/ default charges for any delay or default in making payments of any dues. The details of Penal charges for late repayment will be mentioned in the loan agreement and communicated in the sanction letter.
d) Besides interest, other financial charges like processing charges, cheque bouncing charges, pre-payment/ foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS / other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the Company wherever considered necessary. In

addition, the Goods and Services Tax and other taxes, levies or cess would be collected at applicable rates from time to time.

e) The rate of interest applicable to each borrower is subject to change as the situation warrants and is subject to the management's perceived risk on a case to case basis.
f) Changes in interest rates would be decided at any periodicity, depending upon change in benchmark rate, market volatility and competitor review.
g) Any future revision in the interest rate (as applicable to floating rate loans) pursuant to a revision in the BPLR/Benchmark and / or Spread shall become applicable for all floating rate loans from the effective date of such revision and the same shall be communicated to the Borrower.
h) Intimation of change of interest or other charges would be communicated to borrower in a manner deemed fit, as per terms of the loan documents. Any revision in interest or other charges would be with prospective effect.
i) The interest reset period for floating / variable rate lending would be decided by the Company from time to time, applying the same decision criteria as considered for fixing of interest rates.
j) In case of staggered disbursements, the rates of interest would be subjected to review and the same may vary according to the prevailing rate at the time of successive disbursements or as may be decided by the Company.
k) Claims for refund or waiver of charges/ penal interest/ additional interest would normally not be entertained by the Company. It is the sole and absolute discretion of the Company to deal with such requests, if any.

3. Reset of floating interest rate on Equated Monthly Instalments (EMI) based personal loans, if any, offered by the Company

The Company, at present, does not offer floating rate personal loans to its customers. However, it will comply with RBI Master Directions, for reset of personal loans, if any.

4. Approach for Gradation of Risk

The risk premium attached with a borrower shall be assessed *inter-alia* based on the following factors:

a) profile and credit worthiness of the borrower;
b) inherent nature of the product, type / nature of facility, refinance avenues, whether loan is eligible for bank financing, loan to value of asset financed;
c) tenure of relationship with the borrower group, past repayment track record and historical performance of our similar clients;
d) group strength, overall borrower yield, future potential, repayment capacity based on cash flows and other financial commitments of the borrower, sector/industry of the borrower mode of payment;
e) nature and value of primary and secondary collateral / security;
f) type of asset being financed, end use of the loan represented by the underlying asset;
g) interest, default risk in related business segment;
h) regulatory stipulations, if applicable; and
i) any other factors that may be relevant in a particular case.

5. Applicability of the Policy

This Policy shall be applicable to the Loans and Advances (excluding Inter Corporate Deposits) made by the Company and shall not be applicable to Investments of the Company.

6. Content on the website

This Policy will be made available on the website of the Company in accordance with the Company's Fair Practices Code and the guidelines of RBI.

7. Revisions

Any revision in this Policy shall be decided by the ALCO/ Board. In case of any revision suggested by ALCO the same shall be subsequently, be presented to the Board of Directors of the Company for its approval.

****