

Family Home Finance Private Limited

Penal Charges Policy

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1. Introduction

Family Home Finance Private Limited (hereinafter referred to as "**FHFPL**" or "**Company**") is a Housing Finance Company registered with National Housing Bank ("**NHB**") and is in the business of providing housing loans, loans for home extension, renovation & construction of new home and loan against property ("**LAP-Residential**"). Reserve Bank of India vide its notification dated August 18, 2023, has issued Guidelines on Fair Lending Practices – Penal Charges in Loan Accounts ("**Guidelines**") and read with Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 ("**Master Directions**").

As per the provisions of the said Guidelines and Master Directions, the Company has formulated this Policy, which shall act as governing principles in determination of penal charges for loans and advances.

Penal charges are levied with an intended objective to drive credit discipline amongst customers in the conduct of their loan accounts and such charges are not meant to be used as a revenue enhancement tool over and above the contracted rate of interest.

2. General Principles

Penal charges for the purpose of this Policy represents charges over and above normal interest rates/ fees, and does not represent any additional component to the rate of interest. . Penal Charges will be levied in case of delays in repayment of loan or non-compliance with material terms and conditions of the loan as mentioned in the sanction letter, loan agreements, security documents and such other document as executed between the Company and its customer for availing the loan facility.

The Penal Charges shall not be levied in the form of "Penal Interest" that is added to the rate of interest charged on the loan i.e. contracted rate of interest. However, this will not affect the normal procedures for compounding of interest in the loan account.

The quantum and reason for penal charges shall be clearly disclosed to the customers in the loan agreement & sanction letter, as applicable and most important terms & conditions/ Key Fact Statement (KFS) as applicable, in addition to being displayed on Company's website under charges and fees section. Any change in the Policy (on account of change in regulation or otherwise) will be communicated to the customers and the same will be applicable from the date of issue of such revised policy by FHFPL.

Whenever reminders for non-compliance of material terms and conditions of loan are sent to customers, the applicable penal charges for such non-compliance shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be

communicated.

The applicable penal charges should be clearly stated in **bold** in the Loan Agreement and Sanction letter of the customer.

3. Levying of Penal Charges

The Company shall levy following Penal Charges for default by the customers in complying with the terms of the loans as sanctioned by the Company:

Sr. No.	Details	Penal charges
1.	Penal charge for delay in EMI payment	Upto 36% p.a. (inclusive of taxes) on the outstanding EMI amount(s).
2.	Penal charge for breach of material terms and Condition	Upto 36% p.a. (inclusive of taxes) on the principal outstanding.

Note: The term material terms and conditions shall mean such events which in the commercial reasonable assessment of the Company constitute non-compliance of the material terms and conditions as applicable to the sanctioned loan facility(ies).

4. Authority to approve waiver of penal charges

The Chief Executive Officer of the Company shall have the power to approve any waiver of the penal charges as levied on the customer for default in complying with the terms of the loan facility as sanctioned.

Waiver of penal charges may be considered on case to case basis for genuine difficulties like operational difficulties of the customers which led to such delay in payment/ non-compliance of material terms and conditions (e.g. natural calamity, suspension in business, etc.). While approving the waiver of penal charges, following factors shall be considered –

- Financial Condition of the Borrower;
- Overall conduct of the Loan Account; and
- Security available for enforcement, if any.

5. Amendments

The Company reserves the right to review and make amendment to this Policy from time to time as it deems fit in accordance with the applicable laws, rules and regulations for the time being in force with the approval of the Board at its own or on the recommendation of the Committee, if

any.

In case any amendments, clarifications, circulars and guidelines, not being consistent with the provisions laid down under this Policy, then the provisions of such amendments, clarifications, circulars and the guidelines shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly effective from the date as laid down under such amendments, clarifications, circulars and guidelines. An interim review and amendment can also be carried out to accommodate minor changes, if any, on regulatory and operating front by the Company Secretary of the Company.