

SVATANTRA MICRO HOUSING FINANCE CORPORATION (“SMHFC”) – FAIR PRACTICES CODE

This Code has been formulated by Svantra Micro Housing Finance Corporation Limited (“SMHFC”), the “company”, pursuant to the Guidelines issued by the Reserve Bank of India (“RBI”) on Fair Practices Code for Housing Finance Companies vide its Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 dated February 17, 2021. This Code is amended by SMHFC from time to time and this latest version is approved with effect April 1, 2024.

Objectives

- To promote good and fair practices by setting minimum standards in dealing with customers.
- To increase transparency so that the customer can have a better understanding of the services expected.
- To promote a fair and cordial relationship between the company and the customer.
- To encourage market forces, through fair competition, to achieve higher operating standards.
- To foster confidence in the housing finance system overall.

Application

- To be applicable to all persons offering the Products and Services whether they are provided by the Company its subsidiaries or Digital Lending Platforms (self-owned and/or under an outsourcing arrangement) as an employee or otherwise in any manner and / or by any mode including across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other method.
- The Code is applicable under normal operating environment except in the event of any force majeure.
- The Code is based on ethical principles of integrity and transparency and all actions and dealings will follow the spirit of the Code.

Commitment to Customers

- The company will to the best of its ability, act fairly and reasonably in all dealings with the customer by ensuring that it meets the commitments and standards in this Code for the products and services it offers and, in the procedures, and practices it's staff follows, meeting ethical principles of integrity and transparency and always following the relevant laws and regulations in letter and in spirit.
- The company will make sure that all its products and services are explained to its customers:
 - It will have literature in multiple languages (English, Hindi, Vernacular) and also make sure that is clear and not misleading;
 - Its loan officer (“LO”) will be the first point of contact for all the queries of the customer; and contact information will be posted on the company's website;
 - The LO will help customers understand the terms and conditions, applicable interest rate / service charges and also the benefits that can be availed along with their financial implications.
- The company will maintain a close relationship with the customer and keep them informed of the products and services and the changes in interest rates, charges or terms and conditions.
- The company will handle customer complaints promptly and help its customers in taking complaints forward if not satisfied. It will deal quickly with things that go wrong by correcting the mistakes promptly and reversing the charges to the customer. It will also provide suitable alternatives in case of technological failure.
- The company will treat all customer information as private and confidential unless required by law or if waivers have been signed by the customer.
- The company will provide a copy of this Code, at request, to the customer. The Code will also be made available on its website and at its head and satellite offices.
- The company will not discriminate on the basis of age, race, caste, gender, marital status, religion or disability unless specific to schemes promoted by the NHB to assist weaker sections of society.

Advertising, Marketing and Sales

SMHFC will:

- a. Ensure that all advertising and promotional material is clear, and not misleading.
- b. In any advertising in any media and promotional literature that draws attention to a service or product and includes a reference to an interest rate, SMHFC will also indicate whether other fees and charges will apply, and that full details of the relevant terms and conditions are available on request or on the website.

- c. SMHFC will provide information on interest rates, common fees and charges by putting up notices in its offices/ branches; through telephone or helplines; on the company's website; through designated staff / help desk; or providing service guide / tariff schedule.
- d. If SMHFC avails of the services of third parties for providing support services, SMHFC will require that such third parties handle customer's personal information (if any available to such third parties) with the same degree of confidentiality and security as SMHFC would.
- e. SMHFC may, from time to time, communicate to customers various features of their products availed by them. Information about its other products or promotional offers in respect of products / services may be conveyed to customers only if he has given his consent to receive such information / service either by mail or by registering for the same on the website or on customer service number.
- f. Prescribe a code of conduct for Direct Selling Agencies (DSAs), if used, to market products / services, which amongst other matters will require them to identify themselves when they approach the customer for selling products personally or through phone.
- g. In the event of receipt of any complaint from the customer that SMHFC's representative / courier or DSA has engaged in any improper conduct or acted in violation of this Code, appropriate steps will be initiated to investigate and to handle the complaint and to make good the loss.

Loans

Applications for loans and their processing

- a. All communications to the borrower shall be in the language as understood by the borrower.
- b. SMHFC has disclosed an 'all in cost' inclusive of all charges involved in processing/ sanctioning of loan application in a transparent manner in the MITC. It has also been ensured that such charges/ fees are non-discriminatory.
- c. Loan application forms will include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other HFCs can be made and informed decision can be taken by the borrower. The loan application form will give an indicative list of documents, required to be submitted with the form. Given the nature of SMHFC's target audience, who are mainly from the informal sector and may not have normal documentation (esp. to prove incomes), SMHFC may conduct personal checks in lieu of documentation.
- d. SMHFC will have a system of giving an acknowledgement for receipt of all loan applications.

Loan appraisal and terms/conditions:

- a. Normally all particulars required for processing the loan application will be collected by SMHFC at the time of application or at the time of personal verification conducted by SMHFC (especially in the case of customers from the informal sector). In case SMHFC needs any additional information, the customer will be told that he would be contacted immediately again.
- b. SMHFC will convey in writing to the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with all terms and conditions including annualized rate of interest, method of application, EMI Structure, prepayment charges and keep the written acceptance of these terms and conditions by the borrower on its record.
- c. SMHFC will furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to every borrower.

Fees and Charges:

- a. All information about fees / charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned / disbursed, prepayment charges if any, penalty for delayed payment if any, or any other matter which affects the interest of the borrower will be disclosed to the applicant by the LO at time of application and will also always be printed on the SMHFC Sanction Letter and the Most Important Terms and Conditions ("MITC"). However, SMHFC shall reserve the right to change fees and charges from time to time based on market conditions, customer track record etc. Any changes to the basic charges will be communicated fully and transparently to all customers.
- b. SMHFC requires that all fees (currently a one-time Processing Fee to be paid at the time of submission of loan application form) are to be paid by the Applicant either through ATM card swipe or a cheque or a demand draft. Only in exceptional cases, SMHFC may permit the applicant to pay fees in cash.
- c. SMHFC's current policy is not to levy any prepayment charges, commitment charges, charges for interest certificates, or charges. However, SMHFC will charge customers late payment & ECS / cheque bouncing charges and cash and cheques handling charges.

- d. SMHFC's objective is to support applicants own a primary residence, and the loan is not intentioned to help investment or speculative buyers. Thus, SMHFC shall reserve the right to change the terms and conditions of the loan including but not limited to a 2% increase in the rate of interest and an enhancement in customer's own contribution, if customers do not move into the property being purchased from the loan being sanctioned by SMHFC within three months of possession,

Penal Charges in Loan Accounts:

- a. Penalty, if charged, by SMHFC for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.
- b. SMHFC shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.
- c. The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.
- d. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
- e. The quantum and reason for penal charges shall be clearly disclosed by SMHFC to the customers in the loan agreement and most important terms & conditions
- f. Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans:

Interest rates on all our loan products are variable interest rates linked to the SMHFC PLR. SMHFC currently does not offer any Fixed Interest Rate Loans. However, to enhance flexibility and serve the varied financial needs, SMHFC reserves the right to introduce Fixed Interest Rate Loan products that may allow customers to choose between Fixed rate loans and Variable rate Loans. At such a point in time SMHFC may also offer the customer a choice to move from variable to fixed and fixed to variable rates to have better control over their financial planning. The decision to implement such changes would be carefully evaluated, considering the market dynamics and economic conditions. The following regulatory guidelines would also be taken into account:

- a) At the time of sanction of EMI based floating rate personal loans, SMHFC takes into account the repayment capacity of borrowers to ensure that adequate headroom/ margin is available for elongation of tenor and/ or increase in EMI, in the scenario of possible increase in the external benchmark rate/ interest rates during the tenor of the loan. However, in respect of EMI based floating rate personal loans, in the wake of rising interest rates, several consumer grievances related to elongation of loan tenor and/or increase in EMI amount, without proper communication with and/or consent of the borrowers have been received. In order to address these concerns, the SMHFC has put in place an appropriate policy framework meeting the following requirements for implementation and compliance:
- b) At the time of sanction, SMHFC shall clearly communicate to the borrowers about the possible impact of change in interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.
- c) At the time of reset of interest rates, SMHFC shall provide the option to the borrowers to switch over to a fixed rate as per its Board approved policy. The policy, *inter alia*, may also specify the number of times a borrower will be allowed to switch during the tenor of the loan.
- d) The borrowers shall also be given the choice to opt for (i) enhancement in EMI or elongation of tenor or for a combination of both options; and (ii) to prepay, either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/ pre-payment penalty shall be subject to SMHFC Policy and regulatory guidelines.
- e) 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 and also at the time of revision of such charges/ costs by the SMHFC from time to time.
- f) SMHFC shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.
- g) SMHFC 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 tenor of the loan. SMHFC shall ensure that the statements are simple and easily understood by the borrower.

Communication of rejection of Loan Application

If SMHFC cannot provide the loan to the customer, it will communicate to Customer through SMS.

Disbursement of loans including changes in terms and conditions and Release of Movable/ Immovable Property Documents on Repayment/ Settlement of Personal Loans (including Housing Loans):

- a. Disbursement will be made in accordance with the disbursement schedule given in the Loan Agreement/Sanction Letter or per the Agreement for Sale which covers terms of payment by the customer and the builder (in the case of under construction properties) which would need to be confirmed and accepted by SMHFC.
- b. SMHFC will give notice to the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges, other applicable fee/ charges etc. SMHFC will also ensure that changes in interest rates and charges are effected only prospectively.
- c. If such change is to the disadvantage of the customer, he/she may within 60 days and without notice close his account or switch it without having to pay any extra charges or interest.
- d. Decision to recall / accelerate payment or performance under the agreement or seeking additional securities, will be in consonance with the loan agreement.
- e. SMHFC will release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim SMHFC may have against the borrower. If such right of set off is to be exercised, the borrower will be given notice about the same with full particulars about the remaining claims and the conditions under which SMHFC is entitled to retain the securities till the relevant claim is settled /paid.
- f. SMHFC will follow the following process for release of immovable property:
 - i. SMHFC shall release all the original movable/ immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/ settlement of the loan account.
 - ii. The borrower shall collect the original movable/ immovable property documents from the nearest SMHFC Office.
 - iii. The timeline and place of return of original movable/ immovable property documents shall be mentioned in the loan sanction letters.
 - iv. In order to address the contingent event of demise of the sole borrower or joint borrowers, the SMHFC has a well laid out procedure for return of original movable/ immovable property documents to the legal heirs. Such procedure has been displayed on the website of the SMHFC along with other similar policies and procedures for customer information.
- g. Compensation for delay in release of Movable/ Immovable Property Documents:
 - i. In case of delay in releasing of original movable/ immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, the SMHFC shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the SMHFC, it shall compensate the borrower at the rate of ₹5,000/- for each day of delay.
 - ii. In case of loss/ damage to original movable/ immovable property documents, either in part or in full, the SMHFC shall assist the borrower in obtaining duplicate/ certified copies of the movable/ immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at sub-paragraph (i) above. However, in such cases, an additional time of 30 days will be available to the SMHFC to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).

Loans sourced over Digital Lending Platforms:

Currently, the Company does not engage with any digital lending platforms as their agents to source borrowers and/ or to recover dues. However, in future, if it does engage with digital lending platforms, the Company shall ensure the following:

- Names of digital lending platforms engaged as agents shall be disclosed on the website of the Company.
- Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of the HFC on whose behalf they are interacting with him.
- Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower on the letter head of the Company.
- A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/ disbursement of loans.
- Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the Company.

- Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.

Guidelines on Digital Lending and Guidelines on Default Loss Guarantee (DLG) in Digital Lending

As stated above, currently the Company does not engage with any digital lending service provider or digital lending app but will ensure compliance with the guidelines issued by RBI and as amended from time to time, if such platform is being used by the company in future.

Guarantors

SMHFC does not usually require guarantors to its loan facilities. However, when a person is considering being a guarantor to a loan, he will be informed about

- his liability as guarantor;
- the amount of liability he will be committing himself to the company;
- circumstances in which SMHFC will call on him to pay up his liability;
- whether SMHFC has recourse to his other monies in the company if he fails to pay up as a guarantor;
- whether his liabilities as a guarantor are limited to a specific quantum or whether unlimited; and
- time and circumstances in which his liabilities as a guarantor will be discharged as also the manner in which SMHFC will notify him about this.
- In case the guarantor refuses to comply with the demand made by the creditor /lender, despite having sufficient means to make payment of the dues, such guarantor would also be treated as a willful defaulter.

SMHFC will keep him informed of any default on the loan by the borrower to whom he stands as a guarantor.

Privacy and Confidentiality

All personal information of customers both present and past, will be treated as private and confidential (even when the customers are no longer customers), and will be guided by the following principles and policies.

- SMHFC will not reveal information or data relating to customer accounts, whether provided by the customers or otherwise, to anyone, including other entities in SMHFC's group, other than in the following exceptional cases:
 - If the information is to be given by law;
 - If there is a duty towards the public to reveal the information;
 - If SMHFC's interests require them to give the information (for example, to prevent fraud) but it will not be used as a reason for giving information about customer or customer accounts (including customer name and address) to anyone else, including other companies in the group, for marketing purposes;
 - If the customer asks SMHFC to reveal the information, or with the customer's permission;
 - If SMHFC is asked to give a reference about customers, it will obtain his written permission before giving it;
- The customer will be informed the extent of his rights under the existing legal framework for accessing the personal records that SMHFC holds about him;
- SMHFC will not use customer's personal information for marketing purposes by anyone including SMHFC unless the customer specifically authorizes SMHFC to do so.

Credit reference agencies

- When a customer opens an account, SMHFC will inform him that it will pass his account details to credit reference agencies and SMHFC will make checks with them.
- SMHFC may give information to credit reference agencies about the personal debts the customer owes them if:
 - the customer has fallen behind with his payments;
 - the amount owed is in dispute; and
 - the customer has not made proposals that SMHFC is satisfied with, for repaying his debt, following SMHFC's formal demand.
- SMHFC will give credit reference agencies other information about the customer's account if the customer has given them his permission to do so.
- A copy of the information given to the credit reference agencies will be provided by SMHFC to a customer, if so demanded.

Collection of Dues

Whenever loans are given, SMHFC will explain to the customer the repayment process by way of amount, tenure, and periodicity of repayment. However, if the customer does not adhere to the repayment schedule, a defined process in

accordance with the laws of the land will be followed for recovery of dues. The process will involve reminding the customer by sending him notice or by making personal visits and / or repossession of security if any.

SMHFC's collection policy will be built on courtesy, fair treatment, and persuasion, and will be aimed at fostering customer confidence and a long-term relationship. SMHFC's staff or any person authorized to represent it in collection of dues and / or security repossession will identify himself and display the authority letter issued by SMHFC and upon request, display his identity card issued by SMHFC or under authority of the company. SMHFC will provide customers with all the information regarding dues and will endeavor to give sufficient notice for payment of dues.

All the members of the staff or any person authorised to represent SMHFC in collection and / or security repossession will follow the guidelines set out below:

- a. Customers will be contacted ordinarily at the place of his choice and in the absence of any specified place at the place of his residence and if unavailable at his residence, at the place of business / occupation.
- b. Identity and authority to represent SMHFC will be made known to the customer at the first instance.
- c. Customer's privacy will be respected.
- d. Interaction with the customer will be in a civil manner.
- e. SMHFC's representatives will contact customers between 0800 hrs and 1900 hrs, unless the special circumstances of the customer's business or occupation require otherwise or if the customer has requested to meet at times outside of this band for their own convenience.
- f. Customer's request to avoid calls at a particular time or at a particular place shall be honored as far as possible.
- g. Time and number of calls and contents of conversation would be documented.
- h. All assistance should be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- i. During visits to customer's place for dues collection, decency and decorum should be maintained.
- j. Inappropriate occasions such as bereavement in the family or such other calamitous occasions should be avoided for making calls/visits to collect dues.

Complaints and Grievances

- Customers can lodge his/her complaints/grievances in any of the following means by providing basic details i.e. the Loan Account Number and Registered Mobile number.
 - **Phone call:** Customers can contact the SMHFC Loan Officer or the Relationship Manager or the Zonal Manager or our Customer Service at the Toll-Free number 1800 1234 427.
 - **Email:** Customers can also email their grievances by writing to customerservices@mhfcindia.com or contact@mhfcindia.com.
 - **Letter:** Customers can lodge their grievances in writing by sending a letter at SMHFC Head Office at Office No. 1,2,3,4, Ground Floor, Pushpak CSHL, Malaviya Road, Vile Parle (East), Mumbai 400 057.
 - **Personal visit** – Customers or any of his/her authorized representative can personally visit the Head office and lodge the grievance by entering the details of grievances/complaints in the Complaint register kept at the reception during working hours from Monday to Friday 10:00 A.M to 6:00 P.M.
 - **SMHFC APP** - Customers can lodge their complaints on the SMHFC Android Application available at Google Playstore. <https://play.google.com/store/apps/details?id=com.mhfc.userapp>
 - **SMHFC Website** - The Customer can lodge a complaint at the website of the Company at <https://svatantramhfc.com/contactus>
- In case the complaint is not resolved after 8 days, then the Customer can contact the Grievance Redressal Officer for the purpose of escalation at:
 - Mr. Bhavesh Singhal,
 - Grievance Redressal Officer,
 - Svatantra Micro Housing Finance Corporation Limited,
 - Office No. 1,2,3,4, Ground Floor, Pushpak CSHL,
 - Malaviya Road, Vile Parle (East), Mumbai 400 057
 - Contact No: 1800 1234 427
 - Email ID: grievance@mhfcindia.com
- In case the complaint has not been resolved within 15 days, the customer should be informed that his/her complaint is in process of resolution and will be resolved at the earliest including reasoning for additional time required for resolution.
- If the customer/s is/are still dissatisfied with the response received/ or where no response is received within 15 days from lodging the complaint, he/she may approach the National Housing Bank for redressal of the complaint either by online mode or offline mode.
 - i) Online Mode - <https://grids.nhbonline.org.in>

OR

ii) In offline mode by post, in prescribed format available at link https://nhb.org.in/citizencharter/Complaint_form.pdf which is addressed to:

To,
Complaint Redressal Cell,
Department of Supervision,
National Housing Bank, Core 5 A,
India Habitat Center,
Lodhi Road,
New Delhi – 110 003

General

SMHFC will:

1. Refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless information, not earlier disclosed by the borrower, has been noticed).
2. In case of receipt of request from the borrower for transfer of borrower account, the consent or otherwise i.e. objection of SMHFC, if any, shall be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.
3. Not resort to harassment viz. persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. As complaints from customers also include rude behavior from the staff of the companies, SMHFC shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.
4. not charge pre-payment levy or penalty on pre-closure of housing loans under the following situations:
 - a. Where the housing loan is on floating interest rate basis and pre-closed from any source.
 - b. Where the housing loan is on fixed interest rate basis and the loan is pre-closed by the borrower out of their own sources.
5. not impose foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).
6. give the customer information about its products and services in any one or more of the following languages: Hindi, English or the appropriate local language.
7. not discriminate on grounds of sex, caste, and religion in the matter of lending. However, this does not preclude SMHFC from instituting or participating in schemes framed for different sections of the society.
8. verify the details mentioned by him in the loan application by contacting him at his residence and / or on business telephone numbers and / or physically visiting his residence and / or business addresses either directly by SMHFC or through agencies appointed for this purpose, if deemed necessary by SMHFC.
9. inform the customer to co-operate if SMHFC needs to investigate a transaction on the customer's account and with the police / other investigative agencies, if SMHFC needs to involve them.
10. advise the customer that if the customer acts fraudulently, he will be responsible for all losses on his account and that if the customer acts without reasonable care and this causes losses, the customer may be responsible for the same.
11. process requests for transfer of a loan account, either from the borrower or from a bank/financial institution, in the normal course.

To publicise this code SMHFC will:

- provide existing and new customers with a copy of the Code.
- make this Code available on request either over the counter or by electronic communication or mail;
- make available this Code at every office and on its website;
- ensure that staffs are trained to provide relevant information about the Code and to put the Code into practice

The Board of Directors of SMHFC will provide for periodic review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such reviews will be submitted to the Board of SMHFC at regular intervals.