



IIFL Home Finance Ltd

Policy – Individual borrowers and small businesses
Restructuring & Resolution Framework for COVID-19 related Stress
May 2021

Loan Restructuring & Resolution Framework

Section: 1. Introduction:

In line with IIFL's policy on "Restructuring & Resolution Framework for COVID-19 related Stress", PART A of the RBI circular RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021, issued in extension of RBI circular RBI/2020-21/16 | DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020, are proposed to be adopted herewith; allowing IIFL to offer a limited window to individual borrowers and small businesses to implement resolution plans while classifying the same as Standard. In line with above, IIFL-HFL specifies following policy.

Section: 2. Eligibility Criteria for Loans:

The following borrowers shall be eligible for the window of resolution to be invoked by the lending institutions:

- > Individuals who have availed of personal loans in the form of HL or LAP
- > Individuals who have availed LAP for business purposes and to whom the lending institutions have aggregate exposure of not more than Rs.25 Crore as on March 31, 2021.
- > Small businesses availing loan, excluding MSME, having aggregate exposure of not more than Rs.25 crore as on March 31, 2021
- > Borrower whose loan has been restructured vide RBI circular RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020, and where moratorium of less than two years has been provided

Further, eligibility criteria as per IIFL restructuring policy approved in September 2020, noted hereunder, shall continue to apply:

- (i) The resolution under this facility is extended only to borrowers having stress on account of Covid19
- (ii) Borrower, whose loan account was classified as Standard (with IIFL-HFL) as on 31st March, 2021
- (iii) Employees of IIFL shall not be eligible for resolution under this framework
- (iv) Cases already rescheduled in terms of para 2(1)(zc)(ii) of the Master Circular - The Housing Finance Companies (NHB) Directions, 2010 after March 1, 2020, cannot be restructured under current circular

Timelines:

- (i) Resolution under this framework may be **invoked** not later than September 30, 2021
 - o Date of invocation shall refer to the date of when the lending institution and the borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower.

- In respect of applications from their customers for invoking resolution, the decision on the application shall be communicated in writing to the applicant within 30 days of receipt of such applications
- (ii) The resolution plan must be **implemented** within 90 days from the date of invocation.

Section: 3. Resolution plan: Qualification scenario, documentation & approval:

Borrowers who have strained repayment capacity, on account of Pandemic, which may include (but is not limited to) increased health expenditure or loss of job or non/ part payment of dues by employer, loss of rental income or any other income due to pandemic, strained business income due to buyer default/ sluggish collections, protracted delay in orders, or stagnant sales, etc, may be restructured under the policy.

Necessary proof to depict the loss on income by means of salary credit in bank/ salary certificate / sales order details / bank credit as may be applicable shall have to be provided by the borrower.

Section: 4. Approval Authority:

No deviation shall be allowed under eligibility criteria as specified section 2.

List of eligible borrowers shall be rolled out by risk team for implementation at branch's end, based on the stress faced by borrower due to pandemic at large. Restructuring shall be approved as per IIFL HFL's internal matrix. It may be noted that restructuring of the case is not a right of borrower and shall be subject to decision of the appropriate authority

Section: 5. Resolution Plan: Methods to restructure a loan:

The resolution plans may inter alia include

- rescheduling of payments
- granting of Interest and/or principal moratorium (upto 24 months),
In above methods, the residual tenure can be restructured for maximum 2 years, subject to balance tenure of 30 years for home loan & 20 years for LAP (including Moratorium allowed under restructuring).
- conversion of any interest accrued/ to be accrued into another credit facility,
- additional finance in order to meet the interim liquidity requirements of the borrower
The tenure of this additional facility to be commensurate with parent loan, subject to a maximum of 2 years.

No compromise settlements (OTS) are permitted under this framework. Indicative resolution plan allowed as a part of circular are laid out in annexure to policy. IIFL HFL may choose to accept /reject part request of the borrower or offer a different solution depending on the past track record and analysis of the borrower.

Section: 6. Asset classification and provisioning:

Asset classification:

- a) The eligible borrowers' accounts should continue to be classified as Standard till the date of invocation of resolution
- b) **If a resolution plan is implemented** in adherence to the provisions of this facility, the asset classification of borrowers' accounts classified as Standard may be retained as such upon implementation, whereas the borrowers' accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the plan.
- c) However, **if the resolution plan is not implemented** within the stipulated timelines (date of invocation: 30th Sep, 2021 & date of implementation: 90 days from invocation), the resolution plan shall be fully governed by the Prudential Framework, or any other specific instruction as may be received from RBI/NHB (IRAC norms)

Provisioning norms (post implementation)

IIFL HFL shall keep provisions (from the date of implementation), which are **higher of the provisions held** as per the extant IRAC norms immediately before implementation, or 10% of the renegotiated debt exposure post implementation (residual debt)

Reversal of Provisions:

The reversal may be carried out as under:

- a) **half of the above provisions may be written back** upon the borrower paying at least **20% of the residual debt** without slipping into NPA post implementation of the plan, and
- b) the **remaining half may be written back** upon the borrower paying another **10% of the residual debt** without slipping into NPA subsequently.

Provided that in respect of exposures other than personal loans, the above provisions shall not be written back before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium.

Post Implementation Performance

After implementation of the resolution plan in terms of this facility, the subsequent asset classification will be governed by the criteria laid out as per current IRAC norms which reads as under:

If satisfactory performance after the specified period is not evidenced, the asset classification of the restructured account would be governed as per the applicable prudential norms with reference to the pre-restructuring payment schedule.

Specified period: one year from the date of commencement of repayment/interest (whichever is later)

Satisfactory performance: No payment should remain overdue for a period of more than 90 days. In addition, there should not be any overdues at the end of the specified period.

Section: 7. Disclosures & Credit reporting:

Credit Reporting:

The credit reporting in respect of borrowers where the resolution plan is implemented under this facility shall reflect the “**restructured due to COVID-19**” status of the account which would be classified as restructuring under the Prudential Framework.

Disclosures:

Quarterly, half yearly & annual disclosures should be done in IIFL’s financial statements as per below prescribed format:

Sl. No	Description	Individual Borrowers		Small businesses
		Personal Loans	Business Loans	
(A)	Number of requests received for invoking resolution process under Part A			
(B)	Number of accounts where resolution plan has been implemented under this window			
(C)	Exposure to accounts mentioned at (B) before implementation of the plan			
(D)	Of (C), aggregate amount of debt that was converted into other securities			
(E)	Additional funding sanctioned, if any, including between invocation of the plan and implementation			
(F)	Increase in provisions on account of the implementation of the resolution plan			

The number of borrower accounts where modifications were sanctioned and implemented as per restructuring circular 1 & extended as per current policy, the aggregate exposure to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.

Section: 8. Other Regulations:

- The Company will abide by all guidelines, directives instruction and advices of Reserve Bank of India as will be in force from time to time. The content of this policy shall be read in conjunction with above mentioned RBI Circular
- All other regulatory changes in this regard will stand updated in the policy from time to time