

NHB(ND)/DRS/REG/MC-03/2017
July 1, 2017

All Housing Finance Companies

Dear Sir/Madam,

Master Circular – Fair Practice Code

In order to have all current instructions on the subject at one place, the National Housing Bank has updated the Circulars. The instructions related to the captioned subject contained in various circulars issued by NHB have been updated as on June 30, 2017 and are reproduced below. The updated circular has also been placed on the NHB web-site (<http://nhb.org.in>).

Yours faithfully,

(A. P. Saxena)
General Manager

Table of Contents

Sr. No	Particulars
1.	Objectives & Applications
1.1.	Objectives of the Code
1.2.	Application of the Code
2.	HFCs to act fairly and in a transparent manner
3.	Advertising, Marketing and Sales
4.	Loans
4.1	(i) Applications for loans and their processing
	(ii) Loan appraisal and terms/conditions
	(iii) Communication of rejection of Loan Application
	(iv) Disbursement of loans including changes in terms and conditions
4.2	Guarantors
4.3	Privacy and Confidentiality
4.4	Credit reference agencies
4.5	Collection of dues
4.6	Complaints and Grievances
5.	General

¹GUIDELINES ON FAIR PRACTICES CODE FOR HFCs

1. OBJECTIVES & APPLICATION

1.1 Objectives of the Code

Housing Finance Companies (HFCs) which are a part of the financial system contribute to the economic growth by increasing the outreach of the housing credit delivery mechanism. To provide for transparency in transactions between the institutions and the end users and also to provide for well informed business relationships, some broad guidelines have been considered necessary. In this backdrop, the National Housing Bank, has framed the Guidelines on Fair Practices Code for HFCs to serve as a part of best corporate practices and to provide transparency in business practices. The Code has been developed to:

- a) **promote good and fair practices** by setting minimum standards in dealing with customers;
- b) **increase transparency** so that the customer can have a better understanding of what he/she can reasonably expect of the services;
- c) **encourage market forces**, through competition, to achieve higher operating standards;
- d) **promote a fair and cordial relationship** between customer and HFC; and
- e) **foster confidence** in the housing finance system.

1.2. Application of the Code

All parts of this Code apply to all the products and services, whether they are provided by the HFCs or subsidiaries across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other method.

2. HFCs TO ACT FAIRLY AND IN A TRANSPARENT MANNER

HFCs should act fairly and reasonably in all dealings with customers, by ensuring that:

- a) They meet the commitments and standards in this Code for the products and services they offer and in the procedures and practices their staff follows.
- b) Their products and services meet relevant laws and regulations in letter and spirit.

¹ Details in NHB/ND/DRS/Pol-No.34/2010-11 dated October, 2010

- c) Their dealings with customers rest on ethical principles of integrity and transparency.

²[2A. HFCs should transparently disclose to the borrower all information about fees / charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned / disbursed, pre-payment options and charges, if any, penalty for delayed repayment if any, conversion charges for switching loan from fixed to floating rates or vice-versa, existence of any interest reset clause and any other matter which affects the interest of the borrower. In other words, HFCs must disclose 'all in cost' inclusive of all charges involved in processing / sanction of loan application in a transparent manner. It should also be ensured that such changes / fees are non-discriminatory.]

3. ADVERTISING, MARKETING AND SALES

3.1 HFC shall;

- 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, HFCs shall also indicate whether other fees and charges will apply and that full details of the relevant terms and conditions are available on request.
- c) HFCs should provide information on interest rates, common fees and charges through putting up notices in their branches; through telephone or help-lines; on the company's website; through designated staff / help desk; or providing service guide / tariff schedule.
- d) If HFCs avail of the services of third parties for providing support services, HFCs shall 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 the HFCs would.
- e) HFCs may, from time to time, communicate to customers various features of their products availed by them. Information about their other products or promotional offers in respect of products / services, may be conveyed to customers only if he / she has given his / her 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 their Direct Selling Agencies (DSAs) whose services are availed to market products / services which amongst other matters require them to identify themselves when they approach the customer for selling products personally or through phone.

² Inserted vide Circular NHB(ND)/DRS/Pol-No. 38/2010-11 dated April 25, 2011

- g) In the event of receipt of any complaint from the customer that HFC's representative / courier or DSA has engaged in any improper conduct or acted in violation of this Code, appropriate steps shall be initiated to investigate and to handle the complaint and to make good the loss.

4. LOANS

4.1 (i) Applications for loans and their processing

- a) Loan application forms should 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 may indicate the list of documents required to be submitted with the application form.
- b) The HFCs should devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed of should also be indicated in the acknowledgement.

(ii) Loan appraisal and terms/conditions

- a) Normally all particulars required for processing the loan application shall be collected by the HFCs at the time of application. In case it needs any additional information, the customer should be told that he would be contacted immediately again.
- b) HFCs should 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) HFCs shall invariably furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to every borrower at the time of sanction / disbursement of loans.

(iii) Communication of rejection of Loan Application

If an HFC cannot provide the loan to the customer, it shall communicate in writing the reason(s) for rejection.

(iv) Disbursement of loans including changes in terms and conditions

- a) Disbursement should be made in accordance with the disbursement schedule given in the Loan Agreement/ Sanction Letter.

- b) The HFCs should 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. HFCs should also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard should be incorporated in the loan agreement.
- c) If such change is to the disadvantage of the customer, he/she may within 60 days and without notice close his / her 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, should be in consonance with the loan agreement.
- e) HFCs should 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 HFCs may have against borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which HFCs are entitled to retain the securities till the relevant claim is settled /paid.

4.2 Guarantors

When a person is considering to be a guarantor to a loan, he/she should be informed about

- a) his/her liability as guarantor;
- b) the amount of liability he/she will be committing him/herself to the company;
- c) circumstances in which HFC will call on him/her to pay up his/her liability;
- d) whether HFC has recourse to his/her other monies in the company if he/she fail to pay up as a guarantor;
- e) whether his/her liabilities as a guarantor are limited to a specific quantum or are they unlimited; and
- f) time and circumstances in which his/her liabilities as a guarantor will be discharged as also the manner in which HFC will notify him/her about this
- g) ³In 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 wilful defaulter.

HFCs shall keep him/her informed of any material adverse change/s in the financial position of the borrower to whom he/she stands as a guarantor.

³ Details in NHB (ND)/DRS/Policy Circular No.74/2015-16 dated December 31, 2015

4.3. Privacy and Confidentiality

All personal information of customers shall be treated as private and confidential [even when the customers are no longer customers], and shall be guided by the following principles and policies. HFCs shall not reveal information or data relating to customer accounts, whether provided by the customers or otherwise, to anyone, including other companies/entities in their group, other than in the following exceptional cases:

- a) If the information is to be given by law.
- b) If there is a duty towards the public to reveal the information.
- c) If the HFC's interests require them to give the information (for example, to prevent fraud) but it should 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.
- d) If the customer asks the HFC to reveal the information, or with the customer's permission.
- e) If HFCs are asked to give a reference about customers, they shall obtain his / her written permission before giving it.
- f) The customer shall be informed the extent of his / her rights under the existing legal framework for accessing the personal records that an HFC holds about him /her.
- g) HFCs shall not use customer's personal information for marketing purposes by anyone including HFCs unless the customer specifically authorizes them to do so.

4.4. Credit reference agencies

- a) When a customer opens an account, HFCs shall inform him / her when they may pass his / her account details to credit reference agencies and the checks HFCs may make with them.
- b) HFCs may give information to credit reference agencies about the personal debts the customer owes them if:
 - i. The customer has fallen behind with his / her payments;
 - ii. The amount owed is not in dispute; and
 - iii. The customer has not made proposals that the HFCs are satisfied with, for repaying his / her debt, following HFC's formal demand

- c) In these cases, HFCs shall intimate the customer in writing that they plan to give information about the debts the customer owes them to credit reference agencies. At the same time, HFCs shall explain to the customer the role of credit reference agencies and the effect the information they provide can have on customer's ability to get credit.
- d) HFCs may give credit reference agencies other information about the customer's account if the customer has given them his / her permission to do so.
- e) A copy of the information given to the credit reference agencies shall be provided by the HFC to a customer, if so demanded.

4.5. Collection of Dues

4.5.1 Whenever loans are given, HFCs should explain to the customer the repayment process by way of amount, tenure and periodicity of repayment. However if the customer does not adhere to repayment schedule, a defined process in accordance with the laws of the land shall be followed for recovery of dues. The process will involve reminding the customer by sending him / her notice or by making personal visits and / or repossession of security if any.

4.5.2 The HFC's collection policy should be built on courtesy, fair treatment and persuasion. HFCs should believe in fostering customer confidence and long-term relationship. HFC's staff or any person authorized to represent them in collection of dues or / and security repossession shall identify himself / herself and display the authority letter issued by the HFC and upon request, display his / her identity card issued by the HFC or under authority of the company. HFC's shall provide customers with all the information regarding dues and shall endeavor to give sufficient notice for payment of dues.

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

- a) Customer would be contacted ordinarily at the place of his / her choice and in the absence of any specified place at the place of his / her residence and if unavailable at his / her residence, at the place of business / occupation.
- b) Identity and authority to represent the HFC should be made known to the customer at the first instance.
- c) Customer's privacy should be respected.
- d) Interaction with the customer shall be in a civil manner
- e) HFCs' representatives shall contact the customers between 0700 hrs and 1900 hrs., unless the special circumstances of the customer's business or occupation require otherwise.

- 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.

4.6. Complaints and Grievances

- a) Every HFC should have a system and a procedure for receiving, registering and disposing of complaints and grievances in each of its offices.
- b) The Board of Directors of HFCs should lay down the appropriate grievance redressal mechanism within the organization to resolve complaints and grievances. Such a mechanism should ensure that all disputes arising out of the decisions of lending institution's functionaries are heard and disposed of at least at the next higher level.
- c) Customer should be told where to find details of HFC's procedure for handling complaints fairly and quickly.
- d) If the customer wants to make a complaint, he/she should be told:
 - I. How to do this
 - II. Where a complaint can be made
 - III. How a complaint should be made
 - IV. When to expect a reply
 - V. Whom to approach for redressal
 - VI. What to do if the customer is not happy about the outcome.
 - VII. HFC's staff shall help the customer with any questions the customer has.
- e) If a complaint has been received in writing from a customer, an HFC shall endeavor to send him/her an acknowledgement / response within a week. The acknowledgement should contain the name & designation of the official who will deal with the grievance. If the complaint is relayed over phone at HFC's designated telephone helpdesk or customer service number, the customer shall be provided with a complaint reference number and be kept informed of the progress within a reasonable period of time.
- f) After examining the matter, an HFC shall send the customer its final response or explain why it needs more time to respond and shall endeavor to do so

within six weeks of receipt of a complaint and he/she should be informed how to take his/her complaint further if he/she is still not satisfied.

- g) ⁴ [Every HFC shall publicize its grievance redressal procedure (e-mail id and other contact details at which the complaints can be lodged, turnaround time for resolving the issue, matrix for escalation, etc.) for lodging the complaints by the aggrieved borrower and ensure that it is specifically made available on its website. HFC shall clearly display in all its offices / branches and on the website that in case the complaint does not receive response from the company within reasonable time or is dissatisfied with the response received, the complainant may approach the Complaint Redressal Cell of National Housing Bank by lodging its complaints in Online mode at the link <https://grids.nhbonline.org.in> OR in offline mode by post, in prescribed format available at link <http://www.nhb.org.in/Grievance-Redressal-System/Lodging-Complaint-Against-HFCs-NHB%E2%80%9393Physical-Mode.pdf>, to Complaint Redressal Cell, Department of Regulation & Supervision, National Housing Bank, 4th Floor, Core 5A, India Habitat Centre, Lodhi Road, New Delhi – 110 003.]

5. GENERAL

5.1. HFC shall verify the details mentioned by him/her in the loan application by contacting him/her at his/her residence and / or on business telephone numbers and / or physically visiting his/her residence and/or business addresses through agencies appointed for this purpose, if deemed necessary by the HFC.

5.2. The customer should be informed to co-operate if the HFC needs to investigate a transaction on the customer's account and with the police/ other investigative agencies, if the HFC needs to involve them.

5.3. HFC should advise the customer that if the customer acts fraudulently, he / she will be responsible for all losses on his/her account and that if the customer acts without reasonable care and this causes losses, the customer may be responsible for the same.

5.4. HFC shall display about their products and services in any one or more of the following languages:

Hindi, English or the appropriate local language.

5.5. HFCs shall not discriminate on grounds of sex, caste and religion in the matter of lending. ⁵ [Further, HFCs shall also not discriminate visually impaired or physically challenged applicants on the ground of disability in extending products, services,

⁴ Details in NHB(ND)/ DRS/Policy Circular No.70/2014-15 dated April 20, 2015

⁵ Details in NHB(ND)/DRS/Policy Circular No.73/2015-16 dated December 3, 2015 and NHB(ND)/DRS/Misc. Circular No.16/2015-16 dated December 3, 2015

facilities, etc..¹ However, this does not preclude HFCs from instituting or participating in schemes framed for different sections of the society.

5.6. HFCs shall process requests for transfer of a loan account, either from the borrower or from a bank/financial institution, in the normal course.

5.7. To publicise the code, HFCs shall:

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

5.8. The Board of Directors of each HFC should provide for periodical 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 may be submitted to the Board at regular intervals, as may be prescribed by it.

