

**Framework on
Due diligence requirement by QPLIs under Low Income Housing Project**

Environment

Criteria	Description of Criteria	Due Diligence Compliance Requirements
Location¹	<p>Intent: Informal settlements suffer from many environmental /reputational risks due to the location. Minimize risks by avoiding locations which are prone to disasters and/or cause adverse impact on natural environment/ecology, such as:</p> <ol style="list-style-type: none"> 1. National or state regulated areas of ecological importance, national parks, sanctuaries, forests, biodiversity hotspots, coastal regulation zone, historical/archeological sites/ national monuments 2. Areas that are hazardous for human habitation like landfills/waste dump sites/mining sites/ marshy lands/ high tension cables/canals 	<p>Credit policy shall mention about avoiding locations which are prone to disasters or have appropriate mitigation measures to address the risks.</p> <p>Credit policy shall mention about avoiding locations that cause adverse impact on natural environment/ecology.</p> <p>Assessment shall be conducted as per negative list of locations and/or locations were evaluated for disaster-risks and appropriate measures are undertaken prior to lending in locations that were identified as disaster prone.</p>
Access to Water Supply & Sanitation	<p>Intent: is not to encourage housing which does not have basic water supply and sanitation facilities, and thereby triggering health impacts at settlement level as well as environmental impacts on urban areas. To address this aspect, QPLI's due diligence need to ensure that the settlements have access to:</p> <p>Availability of Potable drinking water source - household/community water supply/tanker water supply and Individual or community toilets, <i>or</i></p> <p>The QPLI needs to explore the possible opportunity to improve the status of basic sanitation by providing additional funds.</p>	<p>Credit policy shall feature the availability of potable drinking water and basic sanitation facility.</p> <p>Technical assessment to ensure access to potable drinking water and basic sanitation facilities <i>or</i> explore opportunity to improve the status of basic sanitation by providing additional funds.</p>
Operational /Household (HH) Activities	<p>Intent: is to identify the household activities (mostly, the HH activities related to livelihood earning) which may pose risk in terms of fire safety and/or health hazards. Apart from the credit risk point of view, screening the HH would be of importance to minimize reputational as well as hazard risk. The due diligence in this regard relate to ensure:</p> <ol style="list-style-type: none"> 1. Any hazardous materials or hazardous waste management facilities at the property, including treatment, storage, disposal and recycling facilities. 2. No production/trade of products deemed illegal under international convention and agreements– such as wild life and wild life products, 	<p>Credit policy shall mention the credit risk dangers related to HH activities involved in hazardous material and any production or trade deemed illegal under national and international convention.</p> <p>Assessment shall adhere to the negative list of household activities and production and trade prohibited under national and international conventions.</p>

¹ For formal housing, location conformity is verified when the relevant authorities approve the building plan application made by the borrower. Where applicable, primary lenders rely upon these approval documents for their EDD (location).

	<p>etc. or any other activities illegal under national and international conventions.</p> <p>3. No Mass Storage of fuels and chemical</p>	
Type of Construction	<p>Intent: The structural safety of the physical dwelling should of the concern of the QPLIs, considering the personal safety of their borrowers (as well as the credit risk), reputational risk of the QPLIs, and the borrowers. In this regard the QPLIs, through their technical evaluation, need to ensure safety:</p> <ol style="list-style-type: none"> 1. Compliance with safety standards and building regulations stipulated by local authorities (in case of formal housing) 2. Technical assessment of structural safety (new or purchase of existing tenement) where, formal approval systems are not in place 3. Technical assessment of all incremental housing that leads to extra load (vertical build) on existing structure 4. Rule out any structural safety issues for minor improvements 	<p>Credit policy shall mention technical and physical assessment and verification by qualified personnel at each stage of disbursement.</p> <p>Policy to encourage that the borrower is undertaking the envisaged construction with adequately trained construction workers (mason, contractors etc).</p> <p>Technical appraisal report based on site visits shall be maintained.</p>
Documentation	<p>Intent: is to have compliance with building by-laws related to the location and the settlement in case of formal dwellings.</p>	<p>Credit policy to ensure confirming compliance with building by-laws related to the location and the settlement in case of formal dwellings.</p> <p>Records of site inspection/visit shall be maintained</p>

Social

Criteria	Description of Criteria	Due Diligence Compliance Requirements
No Discrimination	<p>Intent: to adopt ‘no discrimination’ policy to ensure social equity– no social group should be excluded as long as they can meet loan criteria. Therefore,</p> <ol style="list-style-type: none"> No poor household in the target income segment should be excluded on grounds of caste, religion, gender² or physical ability of the borrower. Encouraged to reach out to those who may have been excluded for such reasons in the past through multiple mediums 	<p>a) ‘No discrimination’ policy to be part of credit policy³</p> <ul style="list-style-type: none"> Credit appraisal information shall have disaggregated details of SC/ST/women, people with disability and religious minorities Record socio-economic details of all the borrowers <p style="text-align: center;"><i>Or</i></p> <ul style="list-style-type: none"> Any other measures to track effectiveness of ‘No discrimination’ policy <p>b) Awareness programmes / product information processes through multiple mediums to be followed (<i>such as pamphlets, posters, door-to-door campaigns, website etc.</i>) to reach the unreached. Use of local language to be encouraged</p>
Co-Borrowing	<p>Intent: Encourage co-borrowing and/or ensure co-owners consent.</p> <ol style="list-style-type: none"> All co owners should be encouraged to be co borrower <p style="text-align: center;"><i>Or</i></p> <ol style="list-style-type: none"> consent from all the co-owners of property should be taken in case of shared tenure and Encourage spouse as a co-applicant 	<p>a) Credit policy /legal policy to outline this process</p>
Ability to repay	<p>Intent: to ensure that borrowers do not fall deeply into debt as a result of the housing loan (to the extent possible, barring completely unforeseen circumstances) (and also reduce the credit risk to the project)</p> <ol style="list-style-type: none"> Develop and Implement robust credit appraisal mechanisms to assess borrower’s ability to pay, and lend commensurate with this only. Appraisals and sanctioning not to be undertaken by same staff member. Verify construction cost prior to lending (to inform average construction cost to the borrowers) 	<p>a) Robust Credit policy/ Risk Management Procedure to ensure</p> <ul style="list-style-type: none"> Screening and review processes through site visits and maintenance of relevant documents (<i>e.g. Legal, financial, technical reports</i>) by qualified personnel. Monitoring and support through multiple visits/ PD (personal discussion) with the borrowers Records of Officers engaged in appraisals and sanctioning need to be maintained
Protection of borrowers from third parties	<p>Intent: to ensure that borrowers are not exploited by other parties interested in securing loans, properties, etc.</p> <ol style="list-style-type: none"> Engage directly/with its approved DSAs⁴with low-income 	<p>a) Credit policy to describe that QPLIs to engage directly or through its approved DSAs with low-income households</p>

² Encouraged to include Transgender as beneficiary

³ And Fair Practice Code

	households for credit assessment, loan recovery and collections and not via third-party agent ⁵	<p>b) DSA policy to be followed, in case DSAs are engaged</p> <p>c) Customer support through various mediums (<i>such as regular interactions / access to 'toll free number' / SMS/ Website</i>) for complaints/ clarifications throughout the loan period</p>
Facilitation of borrowers	<p>Intent: to facilitate borrowers by loan related processes. This would help to increase the market for low-income housing finance as well</p> <ol style="list-style-type: none"> 1. Assist borrowers in completing the formalities to open bank accounts, and register their bona fide properties, if desired by the borrower. 2. Financial Literacy and disclosure of product information in the in the local language/ or a language understood by customers to make them understand credit facilities, risk, impacts and opportunities of the project 3. Grievance redressal process needs to be available for receiving, registering and disposing of complaints and grievances in each of its offices 	<p>a) Facilitate borrowers to (i) open bank accounts and (ii) register their properties, if desired by the borrower.</p> <p>b) Financial literacy procedures to educate the borrowers through interactions/publically available communication materials (<i>like pamphlets, website, toll free numbers etc</i>) about the product and the services. (e.g. <i>charges and terms of condition</i>)</p> <p>c) Orientation of Staff on financial literacy</p> <p>d) Grievance redressal processes and maintenance of records on the action taken</p>
Security of tenure	<p>Intent: to reduce credit risk and ensure that borrowers are not exposed to risk of over indebtedness</p> <p>examine to see</p> <ul style="list-style-type: none"> • If evidence of tenure is sufficient • The tenure duration must be longer than the proposed loan term 	<p>QPLIs to determine the primary borrower's property rights, including the "right to occupy" (tenure) through</p> <p>Formal title: registered title for the place of dwelling establishing the right on the property</p> <p style="text-align: center;"><i>Or</i></p> <p>Informal title: This should be as per the PLI's policy, which should not impose any reputational risk to the project.</p>

Monitoring and Evaluation⁶

Criteria	Description of Criteria	Due Diligence Compliance Requirements
Monitoring and evaluation	Intent: effective implementation of SEDD	<p>a) Technical assessment at each stage of disbursement, Loan tranche disbursement after physical verification of construction.</p> <p>b) Certification of compliance with SEDD framework,</p>

4 Direct Selling Agents

5 In case the primary lenders finances housing loans through intermediaries, like MFIs and SHGs, then these MFIs and SHGs are not considered "third parties"; instead, they are subject to the framework's requirements together with the primary lender.

6Applicable For both Social and Environment due diligence

		<p>submitted with the claim for refinancing or on an annual basis, along with a time-bound action plan for effective implementation of the SEDD (through policy change and/or capacity building of PLI staff) on an annual basis.</p> <p>c) Make relevant SEDD information available to NHB and assist with site visits upon request, support during Annual third Party evaluation on SEDD compliance.</p>
Capacity Building	Intent: enhance the institutional capacity of QPLIs on effective implementation of SEDD	<p>a) Regular Capacity building of all staff (including field officers), on application of SEDD through training and sensitization</p> <p>b) Capacity building of credit appraisal team on negative checklist of EDD and supplementing documents.</p>

We certify that the above due diligence criteria were followed for all housing loans under LIHF project and all required documents pertaining to the above are being maintained. The areas of improvements have been identified and subsequent action plan is being developed (annex 1)

(Authorized signatory)

Date: _____

Stamp _____

Social & Environment due Diligence Action Plan

Name of the Institution:

Date:

Areas of Concern/Improvement:

1.
2.
3.

Action Plan with timeline

(Authorized signatory)