

## **FAIR LENDING PRACTICES CODE AND GRIEVANCE REDRESSAL MECHANISM FOR NATIONAL HOUSING BANK**

### **1. Fair Practices Code for Indirect Finance by way of Refinance**

At present, the National Housing Bank provides refinance assistance to various categories of Primary Lending Institutions (PLIs) viz. Housing Finance Companies, Scheduled Commercial Banks, Scheduled Co-operative Banks, Regional Rural Banks, Apex Co-operative Housing Finance Societies / Federations for their onward lending. NHB does not provide any financial assistance directly to individuals.

#### **1.1 Sanction of Annual / Additional / Carry Forward Refinance Limits to PLIs**

- (i) The request for sanction of annual / additional / carry forward refinance limits by PLIs will be acknowledged normally within 7 days of its receipt.
- (ii) Deficiencies in the application forms and requests for additional information/clarifications will be intimated to the PLIs within 21 days of receipt and, to the extent possible, in one lot.
- (iii) The request of PLIs for sanction of annual / additional / carry forward limits would be assessed in accordance with NHB's extant policy.
- (iv) Sanction of limit will be communicated within the following timeframe :
  - In case of existing clients - within 6 weeks from the date of completed application / additional or supplementary information sought by NHB in connection with the said application
  - In case of new clients - within 3 months from the date of completed application / additional or supplementary information sought by NHB in connection with the said application
  - In case of any delay in processing of application beyond the above-mentioned time frame, the applicant institution will be kept informed of the delay together with the reason(s) therefor.

#### **1.2 Documentation for Refinance/Financial Assistance**

- (i) The sanction along with full disclosure of terms and conditions of sanction will be communicated to PLIs.
- (ii) The PLI's acceptance of the sanction terms and conditions will be kept on record.
- (iii) PLIs may request for modification in terms and conditions and other caveats governing refinance / financial assistance. The finally agreed upon terms and conditions and other caveats would be put forth in writing and would be signed by the authorized official(s) of NHB/PLI.
- (iv) A copy of all the relevant agreements would be made available to the PLIs.
- (v) All cooperation to complete timely documentation will be extended to PLIs subject to receipt of all requirements from PLIs' end.

#### **1.3 Processing of Applications for Disbursement and Disbursement of Funds**

- (i) Refinance applications will be processed within seven days. In the event of the application not being processed within the stipulated time, the PLI will be kept informed accordingly.
- (ii) Deficiencies in the claim form or requests for additional information, if any, will be informed to the PLI promptly.
- (iii) The PLIs will be given advance notice of any change in terms and conditions including interest rates. Any increase in interest rate(s) and other charges will be effected prospectively, except those imposed by regulatory/government authority which will be on back to back basis.

#### **1.4 Post disbursement follow up**

- (i) Repayment schedule with respect to each release of refinance/financial assistance will be sent within fifteen days of disbursement of funds.
- (ii) Demand schedule indicating repayment of instalment and payment of interest on the due date will be communicated to the PLIs at least seven days in advance.
- (iii) Computation of interest and penal interest will be done as per the extant policy of NHB.
- (iv) Post disbursement supervision will be constructive with a view to taking care of 'lender related' genuine difficulty that the PLIs may face.
- (v) The PLIs will be given notice of such period as may be specified in the loan agreement or within a reasonable period if no such provision exists therein, before taking any decision to recall/accelerate payment or performance under the loan agreement or seeking additional securities.
- (vi) Securities will be released on receiving payment of loans or realization of loans subject to any legitimate right or lien for any other claim lenders may have against borrowers.
- (vii) It will be endeavoured to complete the credit inspection exercise (closure of inspection observations) within a period of four months from the date of commencement of inspection.

## **2. Fair Practices Code for Direct Finance by way of Project Finance**

At present, the National Housing Bank provides bulk lending through direct finance to the public agencies and agencies implementing public private partnership projects.

### **2.1 Applications for Loans and their Processing**

- (i) National Housing Bank (NHB) will give an acknowledgement within seven days to the prospective borrowers on receipt of the loan application evidencing the date of receipt of the loan application.
- (ii) It will be ensured that loan applications are ordinarily verified within 30 days of receipt of the applications and if any additional details/ documents are required for the purpose of credit appraisal, the borrowers will be intimated immediately. However, in case further information is sought after undertaking the rating exercise, the same would be called for subsequently.

## **2.2 Loan Appraisal and Terms and Conditions**

- (i) A proper assessment of credit requirement of the borrowers will be undertaken. The loan amount sanctioned will be as per the loan policy and stipulation of margin and security will be based on due diligence and credit worthiness of borrowers.
- (ii) NHB will advise the sanction terms to the borrower and keep on record the borrower's acceptance of the sanction terms given with its full knowledge.
- (iii) Terms and conditions and other caveats governing credit facilities sanctioned by the NHB will be documented in writing in form of a loan agreement. A copy of such agreement will be made available to the borrowers for their record, and acknowledgment received from them.
- (iv) In the case of lending under consortium arrangement, the participating lenders will evolve procedures to complete appraisal of proposals in a time bound manner to the extent feasible and communicate their decisions to the borrower on financing or otherwise, within a reasonable time.

## **2.3 Disbursement of Loans Including Changes in Terms and Conditions**

- (i) NHB will ensure timely disbursement of loans sanctioned on receipt of release request from the Agency and subject to the borrowers fulfilling the conditions precedent and complying with the disbursement procedure.
- (ii) The borrowers will be given advance notice of any change in the terms and conditions including interest rates. Any increase in interest rate(s) and other charges are to be effected only prospectively, except those imposed by regulatory/government authority which will be on back to back basis.

## **2.4 Post Disbursement Supervision**

- (i) Post disbursement supervision by NHB will be conducted so as to monitor the physical and financial progress and general health of the account.
- (ii) NHB will give notice to the borrowers of such period as may be specified in the loan agreement or within a reasonable period if no such provision exists therein, before taking any decision to recall/accelerate payment or performance under the loan agreement or seeking additional securities or to suspend further disbursements.
- (iii) Repayment Schedule will be sent to the borrower in advance of the commencement of repayment. A demand notice will normally be sent to the borrower fifteen days in advance of the due date of repayment of installment.
- (iv) It will be ensured that all securities charged to NHB are released on full satisfaction / realization of loan.

## **3. General**

Information submitted by agencies will be generally kept confidential and not disclosed to any third party unless agreed to by the agency. The term third party excludes all law enforcement agencies, Reserve Bank of India, Credit Information Bureau, other Banks and Financial Institutions.

#### 4. Grievance Redressal Mechanism

NHB's Grievance Redressal Mechanism is to provide a simple, speedy and cost effective mechanism to the aggrieved parties of NHB/ customers of HFC. This in no way to substitute the existing judicial or quasi-judicial forums available to the aggrieved person to get the grievance adjudicated or redressed. The complainant, therefore, is at liberty to approach the available forum at any stage i.e. even before resorting to the above mechanism, during the pendency of the complaint or when the complainant is not satisfied with the outcome. This online system Grievance Registration & Information Database System (GRIDS) is provided through NHB website.

