REVISED POLICY ON HOUSING LOAN MORATORIUM AND RELATED ISSUES
(COVID-19 REGULATORY PACKAGE OF RBI)

The RBI circular dated March 27, 2020 broadly covers rescheduling of payments both term loans and working capital facilities, easing of working capital financing, classification of special accounts (SMA) and Non-Performing Assets (NPA) as also Other Conditions. Some of the instructions are not applicable to us as we do not extend working capital facilities. Hence, we have included in this policy the instructions as applicable to us as also the approach in respect of each of the RBI instructions.

1. Rescheduling of Payments – Term Loans

In respect of all term loans, all banks, NBFCs (including HFCs) are permitted to grant a moratorium of 3 months on payment of installments (installments will include (EMIs) falling due between March 1, 2020 and May 31, 2020.

The repayment schedule for such loans as also residual tenor will be shifted across the board by 3 months after the moratorium period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

i) Moratorium of 3 Months on payment of installments

In respect of all term loans, lending institutions are permitted to grant a moratorium of 3 months between March 1, 2020 and May 31, 2020 to eligible borrowers.

a. It's not compulsory to provide moratorium to all borrowers as it is intended to be a relief measure to mitigate the burden of debt servicing brought about by disruptions caused by the pandemic. Hence, while it is discretionary, it should not be discriminatory. So also, borrowers who have no cash flow issues may opt not to avail of the moratorium. We will permit the facility of 3 months moratorium to all customers whose accounts are regular as also to customers whose accounts are delinquent up to bucket 3.

b. Moratorium to be allowed for those customers whose income and cash flows are adversely impacted by disruption caused by the pandemic. Customer who are regular Salary earners and those with businesses such e.g. Groceries & other essential services, may not be adversely impacted. The company has to do a quick check on the customers to segregate the adversely impacted customer and the period of such impact and based on judgment ensure that only such customers are permitted EMI Moratorium who are genuinely impacted adversely.

c. Cases disbursed in March 2020 would not be eligible for the moratorium as the impact would have been factored in such cases and the Company has to collect Pre EMI/EMI for such cases.

d. The accrued interest during the EMI moratorium shall be collected either by increasing the EMIs or extended tenure of loan or both. The accrued interest during the moratorium period for customers who have been granted the moratorium, be collected within a period of 12-18 months from June EMI dues, wherever possible.

e. Moratorium shall be permitted only to those customers from whom a specific request to that affect is obtained.

f. Those customers who are in regular bucket as on opening of March 1, 2020 and who have paid their March 2020 EMIs will be permitted the moratorium facility for April & May 2020. If they have not paid March 2020 EMIs, they will be permitted moratorium for 3 months i.e. March, April & May 2020.

g. Those customers whose accounts are in delinquent buckets up to and including buckets 3 as of the opening of March 1, 2020 will be considered for the EMI moratorium. If these customers have not paid any EMIs in March 2020 they may be permitted moratorium of 3 months i.e. March, April & May 2020 and for those who have paid EMI for the month of March 2020, EMI moratorium may be permitted for April and May 2020.

h. The customer may opt to either avail the moratorium or not depending on his/her circumstances and adverse impact of the pandemic on his/her cash flows. It will be made very clear to the customers that moratorium is only a postponement and not waiver, and that they are liable to pay interest on the outstanding loan for the moratorium period.

ii) Repayment Schedule & Residual Tenor

As per RBI instructions, the repayment schedule as also residual tenor of the loans will be shifted across the board by 3 months after the moratorium period. What this means is that in respect of an account where we have granted moratorium for 3 months i.e. March, April & May 2020, the loan repayment tenor gets pushed back by 3 months (For e.g. if the final EMI is payable in say July 2024 it will get pushed back to October 2024)

RBI circular also states that interest shall continue to accrue on the outstanding of the term loans during the moratorium period. However, RBI have not explicitly stated how this moratorium period interest is to be recovered in respect of term loans. Please also refer point (d) above regarding collection of interest accrued during the moratorium period.

2. Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

RBI has stipulated that the moratorium will not be treated as a concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower, under RBIs (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019. Consequently, such a measure, by itself, shall not result in asset classification downgrade.

As per RBI circular, the asset classification of term loans which are granted the relief of moratorium shall be determined based on revised due dates and revised repayment schedule.

- In other words, the accounts where EMI moratorium is permitted shall continue to carry the asset classification of March 01, 2020 till the end of the moratorium period. The DPD status of all such accounts which are overdue on February 29, 2020 after the deferment of EMI due between March 01, 2020 and May 31, 2020 will freeze until May 31, 2020 and start running thereafter. If there is any collection in these accounts, the DPD status will improve.

3. Supervisory Reporting and Reporting to Credit Information companies.

The rescheduling of the payments including interest will not qualify as a default for the purpose of supervisory reporting and reporting to CICs by the lending institutions. We will meticulously follow these instructions, so that the credit history of the beneficiaries is not adversely impacted.

RBI has since issued a another circular vide no. **RBI/2019-20/244, DOR.No.BP.BC.71/21.04.048/2019-20** dated May 23, 2020 permitting lending institutions to consider extending EMI moratorium to adversely impacted customers for a further period of June 2020 to August 2020, in view of the extension of the lockdown and continuing as also intensification of the disruption on account of COVID-19 Pandemic.

Accordingly, company may consider extending moratorium to customers whose businesses have been disrupted and income generation adversely impacted due to continued disruption caused by COVID-19 pandemic and extended lockdowns.

In view of the above direction of RBI, the company may extend additional moratorium to those customers who have been extended moratorium during the period March 2002 to May 2020 as well as those customers who were not extended moratorium earlier but whose businesses / income have been adversely impacted now.

The company may extend EMI moratorium to customer for the period of June 2020 to August 2020, basis adverse impact on business /salary income, actual collections in respective months and adverse impact on customer's cash flow due of disruption of business and income generation capacity.

Asset Classification and Income Recognition following the expiry of Covid-19 Regulatory Package

The Hon'ble Supreme Court of India has pronounced its judgement in the matter of Small Scale Industrial Manufacturers Association vs UOI & Ors. and other connected matters on March 23, 2021. In this connection, RBI through its circular DOR.STR.REC.4/21.04.048/2021-22 dated April 7, 2021 has advised as under:

4. **Refund/adjustment of 'interest on interest'**

The Company shall refund/adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020 in conformity with the above judgement. In order to ensure that the above judgement is implemented uniformly in letter and spirit by the company, methodology for calculation of the amount to be refunded/adjusted for different facilities shall be finalised by the Indian Banks Association (IBA) in consultation with other industry participants/bodies, which shall be adopted by the company.

The above reliefs shall be applicable to all borrowers, irrespective of whether moratorium had been fully or partially availed, or not availed, in terms of the circulars DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 and DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020 ("Covid-19 Regulatory Package").

The Company shall disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above reliefs in their financial statements for the year ending March 31, 2021.

5. **Asset Classification**

Asset classification of borrower accounts, following the above judgment shall continue to be governed by the extant instructions as clarified below.

(i) In respect of accounts which were not granted any moratorium in terms of the Covid19 Regulatory Package, asset classification shall be as per the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to the specific category of lending institutions (IRAC Norms).

(ii) In respect of accounts which were granted moratorium in terms of the Covid19 Regulatory Package, the asset classification for the period from March 1, 2020 to August 31, 2020 shall be governed in terms of the circular DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020, read with circular DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020. For the period commencing September 1, 2020, asset classification for all such accounts shall be as per the applicable IRAC Norms.

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