



SUNDARAM HOME

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Version History

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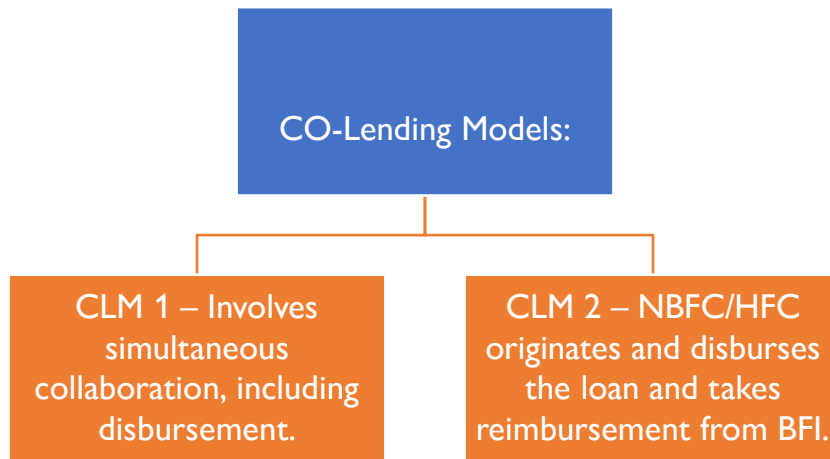
1. Preamble and Objective

Sundaram Home Finance Limited (SHF) offers housing and mortgage loans. The primary objective of this document is to detail the co-lending Policy of the Company, also known as the Co-lending Model ('CLM'), which will govern the Company's collaborative lending practices as originator of loans as contemplated in the Reserve Bank of India's (RBI) circular on co-lending, issued in November 2020.

2. Policy Scope & originator responsibilities

Under the co-lending model, SHF will explore the opportunities of entering co-origination arrangements with banks and other financial institutions (BFIs) for Housing and Non-Housing Loans.

SHF will enter partnerships for co-lending and sign a comprehensive Master Co-Lending Agreement with the Partnering BFIs. Under Co-lending arrangements, SHF will be expected to undertake a comprehensive range of responsibilities. These include, but are not limited to, the sourcing of customers/borrowers, conducting thorough credit assessments in its capacity as a co-lender, and the ongoing monitoring of loan performance. Additionally, SHF will be tasked with the collection of repayments from customers and fulfilling all regulatory reporting obligations. In this collaborative framework, SHF will also serve as the primary servicing and collection agent for loans jointly extended by SHF and its partnering financial institutions (co-lenders), which may comprise banks and financial institutions. The roles and responsibilities of each party will be covered in detail in the Master Agreement. The agreement may involve a co-branded co-origination scheme (CLM 1) or allow the partnering BFI to assume a portion of the loans initiated by SHF through discretionary co-lending (akin to Direct Assignment model, except for Minimum Holding Period ('MHP')) (CLM 2), or a combination of CLM 1 & CLM 2, as mutually agreed upon with the co-lending partner.



Model 1 (CLM 1) -

- a. CLM 1 is also known as “non-discretionary model” (Credit approval to be completed by co-lenders & disbursement simultaneously. One co-lender will not have discretion to reject the loan)
- b. Both entities will maintain records in their respective books and have equal responsibility for regulatory compliance, such as KYC and AML.
- c. The risk and rewards will be shared proportionally based on the agreed contributions. SHF to retain at least 20%.
- d. CLM 1 is allowed for co-originating PSL and non PSL loans.
- e. If the co-lender is a bank. The arrangement under CLM 1 will have to comply with the RBI guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks.

Model 2 (CLM 2) –

- a. CLM 2 is also known as “discretionary model” (viz., Loans offered for co-lending by SHF may be rejected by the co-lending partner subject to their due diligence).
- b. CLM 2 model allows SHF to take the lead in loan origination and disbursement.
- c. The arrangement under CLM 2 will be governed by RBI’S guidelines on Transfer of Loan Exposure Subject to exemption to “Minimum holding period (MHP)” requirements for back to back co-lending arrangement
- d. The BFI then will reimburse loan amount to SHF as per the extant regulations after performing diligence.

- e. SHF will have the primary responsibility for KYC and AML. BFI will perform due diligence for internal compliance.
- f. CLM 2 is allowed for co-originating only PSL loans.

3. Products for co-lending

All products offered by SHF (Housing and Non-housing loans including “Loan against Property”) that are eligible to be co-lent in congruence with extant RBI circular on co-lending will be eligible.

4. Eligibility

All BFIs authorized by RBI to carry out operations in India are eligible for co-lending (except foreign banks with less than 20 branches in India). SHF will enter non-exclusive master agreements/ MOU’s with select BFIs after evaluating such aspects as brand name, CLM model, conditions stipulated, technological capabilities & governance framework of the BFI, alignment of credit policies, credit rating and the like.

5. Compliance

- a. For borrower level disbursements, collections, and other financial transactions, an escrow account will be opened. When entering into a Master Agreement, the rights and duties related to the escrow account, including the manner of appropriation of funds will be agreed upon.
- b. All transactions (disbursements / repayments) between the Company and the banks relating to the CLM shall be routed through the escrow account maintained, in order to avoid inter-mingling of funds.
- c. SHF will adhere to KYC/AML and other guidelines as prescribed by RBI from time to time & provide support to the co-lending partner to comply with their KYC, AML guidelines as mutually agreed for their KYC compliance. SHF will make enabling disclosures concerning co-lending arrangements in loan agreement executed with the borrower.
- d. Co-lenders are required to perform due diligence in accordance with their internal policies and ensure that the credit approval process is not delegated to external parties by SHF. A separate Standard Operating Procedure (SOP) for support to Credit Appraisal process of the co-lender may be created if mutually agreed.

- e. SHF will retain a minimum of 20% of the risk exposure.
- f. The Master Agreement to contain suitable clauses concerning:
 - a. establishing a framework for loan monitoring and recovery and
 - b. other representations and warranties which the company shall adhere to in respect of the share of loans taken into its books by the co-lender.
- g. Operational aspects during the life cycle of the loan under co-lending arrangement to be mutually agreed with co-lending partners and shall form part of the Master Agreement.
- h. Any assignment of their share of exposure by either party to a third party, if any, will be done with the consent of the other co-lender.
- i. Each co-lender will record its respective exposures in their books. The asset classification and provisioning shall also be done for the respective part of the exposure.
- j. Each co-lender will make separate reporting to credit information companies (CICs) for their respective exposure.
- k. Security for the loans under co-lending is to be created based on the mutually agreed terms with the co-lender.
- l. The loans under the co-lending arrangement shall be included in scope of SHF's internal and statutory audit to ensure adherence to internal guidelines, terms of the agreement and extant regulatory requirements.

6. Customer Service

- a. SHF, as originator, will act as the customer-facing entity, enter into agreement which shall contain features of the agreement and roles and responsibilities of SFH and co-lending partner, and manage interactions and maintain the relationship with the borrower (single point of contact).
- b. The customer (borrower) will be charged an all-inclusive rate of interest.
- c. Co-lending arrangements will be disclosed to the borrower and their consent will be taken. The consent form will be included in the loan agreement.
- d. Co-lending arrangement to be disclosed to the customer which should be evidenced by explicit consent from the customer.
- e. Servicer fee and any sharing of fees and expenses may be agreed upon mutually with the co-lender.
- f. Suitable systems to be put in place with escalation matrix to resolve borrower complaints within 30 days. Borrowers will also be made aware of redressal mechanisms available in the

form of Banking Ombudsman/Ombudsman for NBFCs or the RBI's consumer education protection cell.

- g. A unified account statement will be issued to the borrower containing the overall loan amount and blended interest rate.
- m. A business continuity plan will be implemented by co-lenders to ensure seamless service to borrowers under co-lending arrangement in the event that such arrangement ceases to exist. Business continuity plan of SHF to cover the loans under co-lending arrangements.
- h. The co-lenders will be required to adhere to guidelines pertaining to Customer Service and Fair Practices for loans extended under the co-lending arrangement.

7. Policy review

The co-lending policy will be reviewed and updated regularly with the approval of the Board. The said changes will be in line with the changes in Company policies and co-lending regulations as amended by the RBI from time to time. In the unlikely event of contradictions between the policy of the Company and RBI regulations, the regulatory prescription will prevail.

This policy shall be displayed on the website of the company.