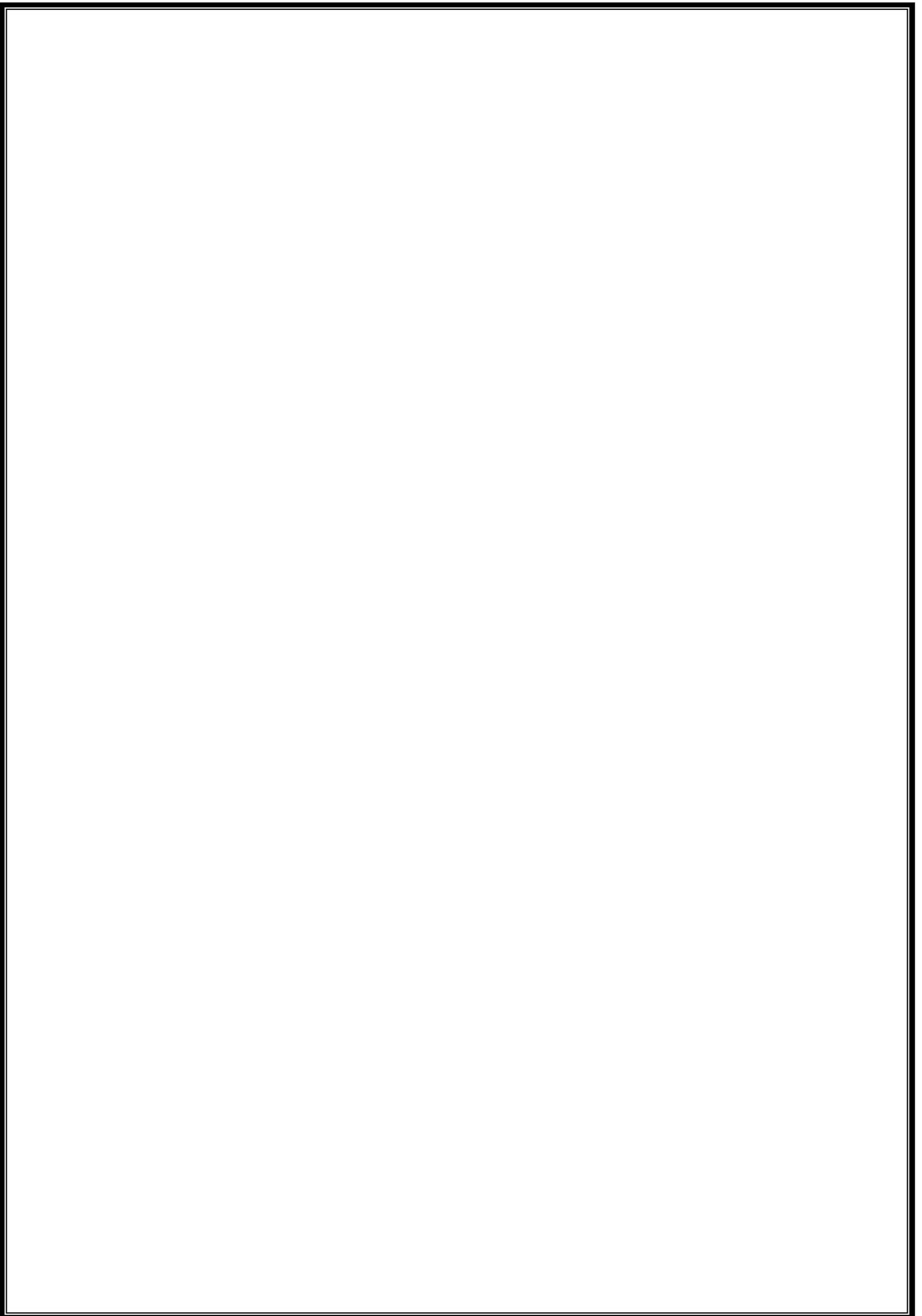




**POLICY ON RESOLUTION FOR COVID-19  
RELATED STRESSED LOAN ACCOUNTS OF  
INDIVIDUALS AND SMALL BUSINESSES – 2.0  
(Part A)**

**OF**

**PNB HOUSING FINANCE LIMITED**



## Table of Contents

S. No	Particulars	Page No
1	Background	2
2	Exclusions	2
3	Framework	2
4	Eligibility	2
5	Invocation Date and Implementation	3
6	Type of Resolution Plan	3
7	Residual Loan Term	4
8	Evaluation Criteria to offer resolution Plan	4
9	Authority	4
10	Other Operational Matters	4
11	Asset Classification and Provisioning	4
12	Reversal of Provisions	5
13	Disclosure and Credit Reporting	5

## Summary of Version History

<b>Policy approved by</b>	Board of Directors
<b>Policy drafted by</b>	Credit Head
<b>Last Date of Renewal of Policy</b>	NA
<b>Current Revision Date/No</b>	June 07, 2021/V1.0

## **POLICY ON RESOLUTION FOR COVID-19 RELATED STRESSED LOAN ACCOUNTS OF INDIVIDUALS AND SMALL BUSINESSES – 2.0 (Part A)**

### **I. Background**

Reserve Bank of India (RBI) vide its circular RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021, has announced a set of measures with the objective of alleviating the potential stress to individuals and small businesses. These measures are in line with the contours of the Resolution Framework 1.0, with suitable modifications.

This Policy pertains to the requirements specific to resolution of advances to individuals and small businesses. Further, the Company is required to assess the viability of the resolution plan, subject to the prudential boundaries provided under the said Circular and put in place a Board approved policy detailing the manner in which such evaluation may be done and the objective criteria that may be applied while considering the Resolution Plan in each case.

The Policy on Resolution Framework 2.0 shall be approved by the Board within 4 weeks from the date of the notification.

### **II. Exclusions**

- i. Accounts covered by Part B of the Circular to the above circular i.e., Working capital support for small businesses where resolution plans were implemented previously.
- ii. MSME borrowers whose aggregate exposure to lending institutions collectively, is INR 25 crore or less as on 31<sup>st</sup> March 21. Policy framework for such loans will be covered separately as per the RBI circular issued for MSME borrowers vide its circular no. RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 dated May 05, 2021
- iii. Credit facilities provided by the Company i.e. PNB Housing Finance Limited (PNBHFL) to its own personnel/staff shall not be eligible for resolution under this framework.
- iv. Exposures of housing finance companies where the account has been rescheduled in terms of para 2(1)(zc)(ii) of the Master Circular - The Housing Finance Companies (NHB) Directions, 2010 after March 1, 2020, unless a resolution plan under this framework has been invoked by other lending institutions. However, from the date of this circular, any resolution necessitated on account of the economic fallout of Covid-19 pandemic, shall be undertaken only under this framework.

### **III. The Framework**

#### **1. Eligibility**

The following borrowers shall be eligible for the window of resolution to be invoked by the lending institutions:

- a. Individuals who have availed of personal loans (as defined in the Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018 on "XBRL Returns – Harmonization of Banking Statistics"), excluding the credit facilities provided by lending institutions to their own personnel/staff.
- b. Individuals who have availed of loans and advances for business purposes and to whom all lending institutions have aggregate exposure of not more than INR 25 crore as on March 31, 2021.
- c. Small businesses, including those engaged in retail and wholesale trade, other than those classified as micro, small and medium enterprises as on March 31, 2021, and to whom all lending institutions have aggregate exposure of not more than INR 25 crore as on March 31, 2021.

*Provided further that* the borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to the special exemption detailed in point no. 3 (e).

*Provided further that* the credit facilities / investment exposure to the borrower was classified as Standard by the lending institution as on March 31, 2021.

Any resolution plan implemented in breach of the stipulations of this circular shall be fully governed by the Prudential Framework for Resolution of Stressed Assets issued on June 7, 2019 (“Prudential Framework”), or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable.

Thus, the loans granted to individuals and small business entities (excluding MSMEs) for Purchase, Construction, Extension/ Improvement of Homes, Plot loans, Non-Residential Premises Loans, Loan against properties/plot and LRD loans shall be covered for resolution under this policy.

## **2. Invocation Date and implementation:**

Resolution under this framework may be invoked not later than September 30, 2021 and must be implemented within 90 days from the date of invocation. The decision on the application shall be communicated in writing to the applicant within 30 days of receipt of such applications.

### Date of Implementation

The resolution plan shall be deemed to be implemented only if all the following conditions are met:

- a. all related documentation, including execution of necessary agreements between lending institutions and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being implemented;
- b. the changes in the terms of conditions of the loans get duly reflected in the books of the Company; and
- c. borrower is not in default with the Company as per the revised terms.

## **3. Type of Resolution Plan:**

The resolution plans may include rescheduling of payments, conversion of any interest accrued, or to be accrued, into another credit facility, or, granting of moratorium, based on an assessment of income streams of the borrower, subject to a maximum of two year term.

The options available under the plan shall include -

- a. Reduction of EMI with further extension of loan term upto 2 years;
- b. Principle moratorium for upto 2 years with extension of balance tenor by 2 years. Customer to service only interest only for this period;
- c. Principle & Interest moratorium upto 2 years with capitalisation of interest and extension of balance tenor upto 2 years;
- d. Customer can avail another credit facility for interest accrued, or to be accrued. The repayment terms shall form part of RP and overall term can extend as per the credit policy.
- e. In cases of loans of borrowers, where resolution plans had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plans had permitted no moratorium or moratorium of less than two years and / or extension of residual tenor by a period of less than two years, lending institutions are permitted to use this window to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to a maximum of two years, and the consequent changes necessary in the terms of the loan for implementing such extension. *The overall cap on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be two years.*

#### **4. Residual Loan Term**

The residual tenor of the loan may be extended by maximum 2 years with or without payment moratorium. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.

#### **5. Evaluation criteria to offer resolution plan**

The Company will be evaluating the proposals based upon the income assessment of the borrowers, conducting personal discussion with them to assess the impact of Covid-19.

#### **6. Authority to approve resolution plan**

The Board of Directors vide Credit Policy Framework for Retail, approved in January 2020, delegated loan approval authority to MD & CEO of the Company. Further delegation allows MD & CEO to further delegate loan approval authority to different members of PNBHFL staff. The authority so vested with MD & CEO will now be extended to approve resolution plan under this framework and delegate further.

#### **7. Other operational matters:**

- a. The revision in repayment terms/ restructuring will be done in the existing loan account. Such loan accounts will be tagged separately in the system to enable review and reporting.
- b. Fresh documentation (request, re-sanction and supplementary loan agreement, promissory note, change of banking instructions, if needed) for restructuring will be done with all customers who are there on the loan structure.
- c. The company will be authorised to charge administrative/processing fee for executing the restructuring. The same will be published in the schedule of charges.
- d. Since the guidelines require an additional provision to be maintained in the accounts, the Company may negotiate a higher rate of interest where possible.
- e. All regular services including availing of PMAY subsidy will be available to restructured loans.

#### **8. Asset Classification and Provisioning**

- a. If additional finance is sanctioned to the borrower to meet interim liquidity requirements, the account will be classified as 'standard' till the implementation of the resolution plan, even if the additional finance is sanctioned before the resolution plan is implemented. However, if the resolution plan is not implemented within the timelines under May 5 Circular, the asset classification for the additional finance shall be as per the actual performance of the borrower with respect to the additional finance or the rest of the credit facilities, whichever is worse.
- b. If a resolution plan is implemented as per the timelines, then the asset classification of borrowers' accounts classified as standard may be retained as such upon implementation. In the event the borrowers' accounts which gets downgraded from standard to non-performing asset (NPA) between the invocation and implementation plan, the account may be upgraded to standard, as on the date of implementation of the resolution plan.
- c. The subsequent asset classification for such exposures will be governed by 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 specific category of lending institutions ("extant IRAC norms").
- d. Further, the May 5, 2021 circular also provides for provisioning norms required to be followed while implementing a resolution plan

Higher of (i) provisioning as per IND AS or (ii) 10% of the renegotiated debt exposure of the lending institution post-implementation of the resolution plan.

- e. The provisions required to be maintained under this window, to the extent not already reversed, shall be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA.

#### **9. Reversal of Provisions**

Reversal of 50% of the provisioning on payment of the 20% of the residual debt and balance on payment of 10% of the residual debt (in all cases without the account slipping into NPA subsequently).

*Provided that* in respect of exposures other than personal loans, the above provisions shall not be written back before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium.

#### **10. Disclosures and Credit Reporting**

The Company is required to make adequate disclosures in the format provided in the May 5 Circular till all exposures pertaining to which resolution plan was implemented is either fully extinguished or completely slips into NPA, whichever is earlier. Further, the credit reporting of the borrowers where the resolution plan has been implemented under the May 5 Circular shall reflect as 'restructured due to COVID-19' account.