Navarathna Housing Finance Limited
...shelter to all

Policy on

Resolution Framework 2.0 for Covid-19 related stress of Housing Loans and Loans against Properties

The resurgence of Covid-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, RBI has come out with the following set of measures are being announced. These set of measures are broadly in line with the contours of the Resolution Framework - 1.0, issued vide their Circular dated 05th August 2020, with suitable modifications.

Eligibility

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

Main Features

- The resolution plans implemented under this window may inter alia include **rescheduling of payments**, conversion of any interest accrued or to be accrued into another credit facility, granting of moratorium etc. based on an assessment of income streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose.
- The moratorium period, if granted, may be for a **maximum of two years**, (including any moratorium period granted under previous Resolution Plan 1, or under any other RBI Circulars issued in this regard) and shall come into force immediately upon implementation of the resolution plan. The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years

- The **borrowers are to be applied** through branch/directly to avail the above facility.
- On receipt of the application, the **due diligence** considerations to be followed by the Company to establish the necessity of implementing a resolution plan in respect of the concerned borrower.
- The Borrower's viability after grant of resolution package will be examined by a Committee comprising the Credit Officer, and the Chief Manager – Recovery on certain objective criteria as enumerated below

  a) Extent of Impact on Borrower's Income due to COVID-19 lockdown
  b) Nature of Business/Job
  c) Expected Improvement in Income in near future
  d) After grant of resolution package, the IIR (which will be based on income assessment as given above) and LTV (based on fresh valuation of realisable value of existing and fresh securities, if any) should be as per credit policy.
  e) Any other Criteria as it may be deemed fit by the Committee.

- Company will issue detailed circular to branches based on the RBI Circular and other Regulator's guidelines for inviting applications from the eligible customers
- The decision on the application shall be communicated in writing to the applicant by the Company **within 30 days** of receipt of such applications
- The resolution plan should be **finalised and implemented within 90 days** from the date of invocation of the resolution process under this window. The resolution plan shall be deemed to be implemented only, if all of the following conditions are met:

  - 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;
  - The changes in the terms of conditions of the loans get duly reflected in the books of the lending institutions; and,
  - Borrower is not in default with the lending institution as per the revised terms.

- The last date for invocation of resolution permitted under this window is September 30, 2021.

Other Features

- If a resolution plan is implemented in adherence to the provisions of the RBI circular, the asset classification of borrowers' accounts classified as Standard may be retained as such upon implementation, whereas the borrowers' accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the resolution plan
- 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").
- The Company shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or **10 percent of the renegotiated debt exposure** of the lending institution post implementation (residual debt). Residual debt, for this purpose, will also include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.
- Half of the above provisions may be **written back** upon the borrower p**aying at least 20 per cent** of the residual debt without slipping into NPA post implementation of the plan, and the remaining half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently.
- The Borrowers grievances (if any) under the resolution framework shall be redressed through the Grievance redressal mechanism of the Company.

The above features are only illustrative of the scheme and not exhaustive. In case of any doubts, the above said RBI Circular dated 05th May 2021 and other relevant instructions issued in this regard by the Regulators are final.

After the approval, the Board approved policy shall be sufficiently publicized and should be available on the website of the Company in an easily accessible manner.