

DMI HOUSING FINANCE



Policy for

the scheme for grant of ex-gratia - FY 2020-21/2021-22

Approval Matrix:

	<u>Name</u>	<u>Designation</u>	<u>Signature</u>
Prepared by:	Sandeep Verma	AVP OPS	
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Approved by:	Yuvraja Chanakya Singh	Founder & Joint MD	
Effective Date:			

Prologue

Standard policy for the scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts (1.3.2020 to 31.08.2020).

Based on the standard operating procedure for COVID 19 related stress as declared by GOI vide **DFS letter no. 2/12/2020 – BOA. I dated 23/10/2020**, Lending Institution had framed a Policy on ex-gratia grants for COVID 19 Related Stress for Personal & Corporate Borrowers.

Additionally, basis RBI circular ref: **RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22 April 7, 2021**, regarding Asset Classification and Income Recognition following the expiry of Covid-19 regulatory package, Lending Institutions must formulate a Board-approved Policy and approach to refund/adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e., March 1, 2020, to August 31, 2020.

To ensure that the above judgement is implemented uniformly in letter and spirit by all lending institutions, 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 all lending institutions.

Standard Operating Procedure (SOP):

- The lending institutions will calculate the ex-gratia amount as per the guidelines issued by GOI and credit the accounts of the eligible borrowers on or before 5th November 2020.
- All lending institutions shall immediately put in place a Board-approved policy to refund/adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e., March 1, 2020, to August 31, 2020.
- Lending institutions will get the data pre-audited by their respective statutory auditors.
- Each lending institution will lodge only one consolidated claim on/before 15th December 2020. The claim shall be submitted along with the required data as per the template/format provided by the nodal cell of SBI.
- Each lending institution will advise a designated email address to the Nodal Cell for the purpose and any communication/correspondence in this regard shall be accepted from.
- Lending institution will submit, along with the claims, a certificate from their statutory auditor who has audited the data and the claim amount. The certificate shall be on the prescribed pro-forma.

- The claims shall be submitted / forwarded by officer of the lending institution who is not below the rank of ED / one level below its board.
- For remitting the claims settled by the Government, the lending institution shall provide the account details to the Nodal Cell at SBI.
- For any dispute, on the settled amount, each lending institution will approach the GOI through the Nodal Cell of SBI. Decision of GOI will be final.
- Each lending institution will put in a place a grievance redressal mechanism for its borrowers. Any Grievance of its borrower should be settled within 7 working days.
- In case of any excess claim, the same can be recovered from the respective lending institution at any time.

Note: The scheme is applicable only to the lending institution notified by GOI vide DFS letter no. 2/12/2020 – BOA. I dated 23/10/2020 and additionally via RBI circular ref: RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22 April 7, 2021.

Methodology for Adjustment/refund as per supreme court judgement:

- Methodologies defined basis standard operating procedure for COVID 19 related stress as declared by GOI vide **DFS letter no. 2/12/2020 – BOA. I dated 23/10/2020** for all lenders with outstanding less than 2 crore as on 29.02.2020
- Additionally, Methodologies for all Enhancement / fresh limits sanctioned and disbursed/reduction in limits after reference date, i.e., 29.02.2020 and before 31.08.2020 and All lenders with aggregate fund based outstanding of Rs. 2 Crs. and above have been defined basis RBI circular ref: **RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22 April 7, 2021, and CIB/ADV/MBR/9833 issued by Indian Banks' Association.**

S NO	CRITERIA	DESCRIPTION	REMARKS
1	ELIGIBLE ACCOUNTS: Borrower accounts which were standard as on 29.02.2020 including SMA-0, SMA-1 and SMA-2 will be eligible for the refund.	1. Aggregate fund based outstanding from all lenders of Rs.2 Crs. and above where compound interest/interest on interest/ penal interest for non-payment/delayed payment was applied during moratorium. 2. Aggregate fund based outstanding of less than Rs.2 Crs from all lenders where compound interest/interest on interest/penal interest for non-payment/delayed payment was applied during	All loan / working capital / trade products which had outstanding during the moratorium period shall be considered. Account eligible for refund only if compound interest/interest on interest/penal interest as been applied during the moratorium. Refund to be provided irrespective of whether moratorium was availed or not.

		moratorium and refund not provided under the Ex-gratia scheme due to whatever reasons.	
2	INELIGIBLE ACCOUNTS:	1. NPA Accounts as on 29.02.2021 (presumption being no interest or no compound interest is changed in case of NPA accounts) 2. Accounts with aggregate outstanding of less than Rs.2 Crs from all lenders where refund has already been afforded under the Ex-gratia scheme. 3. A/cs with simple interest as per contract where compounding has not happened. 4. non-funded facilities not eligible for refund.	Accounts where compounding interest/interest on interest/ penal interest for non-payment/ delayed payment has not been applied during the moratorium will not be eligible for refund of interest. However, in case of accounts with simple interest, “if simple interest was capitalized on monthly or quarterly basis during the moratorium period, resultant interest on interest during the moratorium period shall be refunded”
3	Calculation Method:	1. Daily outstanding balance to be reckoned for calculation of interest. 2. Enhancement / fresh limits sanctioned and disbursed/reduction in limits subsequent to reference date, i.e., 29.02.2020 and before 31.08.2020 will be reckoned for calculation of interest. 3. Repayments of interest and instalments in DL / TL accounts of borrowers during the moratorium period shall be considered for working out the difference between simple and compound interest. 4. Normal changes in the contractual interest rate due to changes in the underlying reference rate like MCLR, Base Rate etc. will be reckoned while calculating the interest. 5. Any penal interest rate on account of delay/non-payment of instalments/ interest applied in a facility shall be excluded while calculating the outstanding balance as it is to be refunded.	
4	Accounts closed during moratorium period:	Interest on closed accounts will be calculated up to one day prior to the closure date.	
5	Overdraft in CC/OD Accounts/	Overdrawn component in CC / OD shall be reckoned for the benefit, i.e., total outstanding to be reckoned.	
6	Interest certificate for Tax purpose	The interest amount refunded relating to year 2020-21 to be reduced from the overall interest recovered in the account while giving the interest certificate as	This can be done by way of making suitable remark against the interest amount.

		the actual reversal will happen only in the next financial year.	
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Permissible Resolution Plan:

- Adjustment of the ex-gratia amount in principal outstanding for all cases active as on Feb 29, 2020, and thereby reducing further EMI of the home loans.
- Difference of compound interest/ penal interest and simple interest to be calculated on the loan amount disbursed during the stated timeline i.e., March 1,2020, to August 31, 2020, and to be adjusted additionally to respective loan accounts thereby reducing EMI.

Grievance Redressing Mechanism:

- Company already has the existing grievance redressing policy and system resolution. Any grievance arise under this window will also extended for Resolution framework 2.0.

