

GUIDELINES ON FAIR PRACTICES CODE FOR HUDCO

Housing and Urban Development Corporation Limited (HUDCO) being a Public Sector Undertaking under Ministry of Housing and Urban Affairs, Government of India is a premier techno-financial institution and has emerged as a unique organization in the country which not only supports housing for Economically Weaker Sections (EWS) and Low-Income Groups (LIG) but also plays a pivotal role in the various flagship programs of Government of India viz. Interest Subsidy for Housing Urban Poor (ISHUP), Pradhan Mantri Awas Yojana (PMAY) and Smart Cities etc. HUDCO is operating under the administrative control of Ministry of Housing and Urban Affairs (MoHUA).

HUDCO being a Non- Banking Finance Company (NBFC) has formulated its guidelines on Fair Practice Code according to the Master Circular-Fair Practice code issued by Reserve Bank of India (RBI). The updated guidelines are as follows-

1. Objectives of the Code

The code has been developed to-

- a) promote good and fair practices by setting minimum standards in dealing with customers;
- b) increase transparency so that the customer can have a better understanding of what he/she can reasonably expect of the services;
- c) encourage market forces, through competition, to achieve higher operating standards;
- d) promote a fair and cordial relationship between customer and HUDCO; and
- e) foster confidence in the financing system.

2. Application of the Code

All parts of this Code apply to all the products and services, whether they are provided by HUDCO across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other method.

3. Transparency

HUDCO shall act fairly and reasonably in all dealings with customers, by ensuring that:

- a) The company meets the commitments and standards in this Code for the products and services they offer and, in the procedures, and practices their staff follows.
- b) Products and services meet relevant laws and regulations in letter and spirit.
- c) Dealings with customers rest on ethical principles of integrity and transparency.

HUDCO shall transparently disclose to the borrower all information about fees/charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned/disbursed, pre-payment options and charges, if any, penalty for delayed repayment if any, conversion charges for switching loan from fixed to floating rates or vice-versa, existence of any interest re-set clause and any other matter which affects the interest of the borrower. In other words, HUDCO will disclose 'all in cost' inclusive of all charges involved in processing/sanction of loan application in a transparent manner. It shall also be ensured that such charges/fees are non-discriminatory.

4. Applications for loans and their processing

- a) HUDCO shall make all communications to the borrower in the language as understood by the borrower.
- b) Loan application forms should include necessary information which affects the interest

of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFC can be made and informed decision can be taken by the borrower. The loan application form may indicate the list of documents required to be submitted with the application form. Acknowledgment for the receipt of Loan application is issued to the Borrower.

- c) HUDCO shall maintain transparency and discloses the information on its website regarding the interest rates applicable on its various loan products. Brief description of areas covered under HUDCO's financing is also available on the website of the company.

5. **Loan appraisal and terms/conditions**

- a) Normally all particulars required for processing the loan application shall be collected by HUDCO at the time of application. In case it needs any additional information, the customer is contacted again. The acknowledgement of the application is given to the applicant.
- b) HUDCO shall convey in writing to the borrower in the language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with all terms and conditions including annualized rate of interest, method of application, EMI Structure, prepayment charges and keep the written acceptance of these terms and conditions by the borrower on its record.
- c) HUDCO shall mention details about the penal interest charged for late repayment in bold in the loan agreement.
- d) HUDCO shall furnish a copy of loan agreement as understood by the borrower along with a copy of each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction/disbursement of loans.

6. **Disbursement of loans including changes in terms and conditions**

- a) Disbursement should be made in accordance with the disbursement schedule given in the Loan Agreement/ Sanction Letter.
- b) HUDCO should give notice to the borrower in the language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges, other applicable fee/ charges etc.
- c) Decision to recall / accelerate payment or performance under the agreement or seeking additional securities, should be in consonance with the loan agreement.
- d) HUDCO shall release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim HUDCO may have against borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which HUDCO is entitled to retain the securities till the relevant claim is settled /paid.

7. **Grievance Redressal Mechanism**

Grievance Redressal Mechanism is in place at HUDCO and a procedure for receiving, registering and disposing of complaints and grievances. The mechanism ensures that all disputes arising out of the decisions of HUDCO's functionaries are heard and disposed of by the Competent Authority under the Grievance Redressal Mechanism.

Grievance Redressal Mechanism covers all complaints grievances including relating to lending operations of the Company i.e. reviewing of application forms, sanction,

disbursement, etc and the same is disclosed in the Company's website in the heading "Statutory Requirement".

The complaint can be made at Regional Office (RO) or at Head Office (HO). The list of officers to be contacted for Grievance Redressal are disclosed in the policy alongwith the names of the higher authority in case of non-resolution of the complaint. There is a nodal Grievance Redressal Officer (GRO), at HO. The role of GRO is to examine customer issues and provide an impartial resolution, if the query has not been resolved to the desired satisfaction as per above, the complaint may be escalated to the GRO at HO.

The present GRO is "General Manager (Law)" and his contact details are given below: -

H. M. Bhatnagar
General Manager (Law)
HUDCO Limited
Registered Office:
Core 7A, Hudco Bhawan,
India Habitat Centre, Lodhi Road, New Delhi-110003.
Telephone No.: 011- 24616732
E-mail ID: grievance@hudco.org

If the complaint dispute is not redressed within a period of one month, the complainant may appeal to the Officer-in-Charge of the Regional Office of DNBS of the RBI at:

General Manager
Department of Supervision (DoS),
Reserve Bank of India,
6, Sansad Marg,
New Delhi 110001
Telephone No.: 011-23714456

8. Report on Compliance to Board of Directors

The compliance of the Fair Practice Code and Grievance Redressal Mechanism shall be reviewed by the HUDCO Board of Directors on periodical basis. The status of grievances received, settled and pending shall be put-up to the Board on annual basis by GRO. A consolidated report on the compliance of the Fair Practice Code based on the compliances submitted by the respective departments shall be put-up to the HUDCO Board on annual basis.

9. Regulation of excessive interest charged

- a) HUDCO Board shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The rate of Interest charged shall be disclosed to the borrower and communicated explicitly in the sanction letter.
- b) The rate of interest should be annualised rate so that borrower is aware of the exact rates that would be charged to the account.

10. General

- a) HUDCO shall refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless information, not earlier disclosed by the borrower, has been noticed).

- b) In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection if any, should be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.
- c) In the matter of recovery of loans, HUDCO shall not resort to undue harassment viz; persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. HUDCO shall also ensure that the staff are adequately trained to deal with the customers in an appropriate manner as complaints from customers also include rude behavior by the staff.
- d) As a measure of customer protection and also in order to bring in uniformity with regard to prepayment of various loans by borrowers, HUDCO shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers, with immediate effect.