

Guidelines on Fair Practice Code (FPC)

Version History:

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1.0	March, 2016	Updation	Regulatory Section	Board
1.1	22.03.2022	Updation	Regulatory Section	Board
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Guidelines on Fair Practice Code for HUDCO

Housing and Urban Development Corporation Limited (HUDCO), a Navratna Central Public Sector Enterprise (CPSE), is a premier techno-financial institution set up in 1970. Its main thrust is on financing, undertaking and/or collaborating in the Housing and Infrastructure Sectors with special emphasis on Urban Development all over the country. The company is committed to providing techno-financial services to promote sustainable Habitat Development, working through a proactive, customer-sensitive, and risk-responsive approach, to ensure 'Profitability with Social Justice.'

It has emerged as a unique organization in the country that not only supports housing for Economically Weaker Sections (EWS) and Low-Income Groups (LIG) but also plays a pivotal role in various flagship programs of the Government of India, viz., Pradhan Mantri Awas Yojana (PMAY) and Smart Cities, etc. as well as having a wide footprint in various transport, energy, and other Infrastructure sectors. HUDCO operates under the administrative control of the Ministry of Housing and Urban Affairs (MoHUA), Government of India.

HUDCO, being a Non-Banking Finance Company – Infrastructure Finance Company (NBFC-IFC), has adopted its guidelines on Fair Practice Code according to the Master Direction- Scale Based Regulation 2023 issued by the Reserve Bank of India (RBI).

1. Objectives of the Code

The code has been developed to:

- 1.1 Promote fair and transparent practices by setting minimum standards in dealing with customers.
- 1.2 Increase transparency so that the customer can have a better understanding of what he/she can reasonably expect of the services.
- 1.3 Encourage market forces, through competition, to achieve higher operating standards.
- 1.4 Promote a fair and cordial relationship between customers and HUDCO.
- 1.5 Foster confidence in the financing system of HUDCO.

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:

- 3.1 The company meets the commitments and standards in this Code for the products and services offered and, in the procedures and practices offered for those products and services.
- 3.2 Products and services meet relevant laws and regulations in letter and spirit.
- 3.3 Dealings with customers is based on ethical principles of integrity and transparency.

HUDCO shall transparently disclose to the borrower all information about the loan application & documents to be furnished therein, fees/charges payable for processing the loan application, the amount of fees refundable if the loan amount is not sanctioned/disbursed, pre-payment options and charges, if any, penalty for delayed repayment, conversion charges for switching loans from fixed to floating rates or vice versa, the existence of any interest re-set clause, and any other material fact which shall affect the interest of the borrower. In other words, HUDCO will disclose 'all in cost' inclusive of all charges involved in processing/sanction of the 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

- 4.1 HUDCO shall make all communications to the borrower in the language understood by the borrower.
- 4.2 Loan application forms shall include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken by the borrower. The loan application form shall indicate the documents required to be submitted with the application form.
- 4.3 Acknowledgment for the receipt of Loan application shall be issued to the Borrower. Time frame within which loan applications will be disposed of shall also be indicated in the acknowledgment. Applications complete in all respects would be processed within a reasonable time frame, not exceeding 120 days.

5. Loan Appraisal and terms & conditions; and Key Facts Statement for Loans and Advances

- 5.1 HUDCO shall ensure proper assessment of the loan proposal of the borrower(s) as per its internal guidelines & procedures.
- 5.2 HUDCO shall convey in writing to the borrower in the language understood by the borrower by means of a sanction letter or otherwise, the amount of loan sanctioned along with all terms and conditions of sanction including the annualized rate of interest and method of application thereof. The acceptance of these terms and conditions by the borrower shall be kept by HUDCO on its record.
- 5.3 HUDCO shall mention details about the penal charges for late repayment in bold in the loan agreement.

- 5.4 HUDCO shall furnish a copy of the loan agreement as understood by the borrower along with a copy of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction/disbursement of loans.
- 5.5 HUDCO shall comply with the instructions contained in the circular issued by RBI on 'Key Facts Statement (KFS) for Loans & Advances' dated April 15, 2024, as amended from time to time.

6. Penal Charges in Loan Accounts

- 6.1 Penalty, if charged, for non-compliance of material terms and conditions of the loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalization of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding interest in the loan account.
- 6.2 The penal charges in case of loans sanctioned to individual borrowers shall not be higher than the penal charges to non-individual borrowers for similar non-compliance of material terms and conditions.
- 6.3 The quantum and reason for penal charges shall be clearly disclosed by HUDCO to the customers in the loan agreement and Key Fact Statement (KFS), in addition to being displayed on the websites under interest rates and Service charges.
- 6.4 HUDCO's Sanction letter/Loan agreement shall mention the penalty clause for non-compliance of material terms & conditions in Bold. Whenever reminders for non-compliance of material terms and conditions of the loan are sent to borrowers, the penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefore shall also be communicated.
- 6.5 HUDCO shall not introduce any additional component to the rate of interest.

7. Disbursement of loans including changes in terms and conditions

- 7.1 The borrower shall enter into a Loan Agreement containing all standard and specific terms & conditions with HUDCO, execute the requisite documents, and create security as mentioned in the sanction letter/Loan agreement, before seeking disbursement.
- 7.2 HUDCO shall give notice to the borrower in the language understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges, etc.
- 7.3 HUDCO shall also ensure that changes in interest rates and charges are affected only prospectively.
- 7.4 The decision to recall/accelerate payment or performance under the agreement shall be in consonance with the loan agreement.

7.5 HUDCO shall release all securities on repayment of all dues or on realization of the outstanding amount of the loan subject to any legitimate right or lien for any other claim it may have against the 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.

8. Release of Movable/Immovable Property documents on Repayment/Settlement of Housing Loans to Individuals

8.1 HUDCO shall release all the original movable/immovable property documents to the original borrower/legal heir, as the case may be, and remove charges registered with any registry within a period of 30 days after full repayment/settlement of the loan account.

8.2 The borrower shall be given the option of collecting the original movable/immovable property documents either from the branch where the loan account was serviced or any other office of HUDCO where the documents are available, as per her/his preference.

8.3 The timeline and place of return of original movable/immovable property documents shall be mentioned in the loan sanction letters issued on or after the effective date.

8.4 In order to address the contingent event of the demise of the sole borrower or joint borrowers, HUDCO is following its well-laid-out procedure for the return of original movable/immovable property documents to the legal heirs. Such procedure is displaying on the website along with the other similar policies and procedures for customer information.

8.5 In case of delay in releasing of original movable/immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/settlement of loan, HUDCO shall communicate to the borrower reasons for such delay. In case where the delay is attributable to HUDCO, it shall compensate the borrower at the rate of Rs.5000/- for each day of delay.

8.6 In case of loss/damage to original movable/immovable property documents, either in part or in full, HUDCO shall assist the borrower in obtaining duplicate/certified copies of the movable/immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at Sr. No. 8.5 above. However, in such cases, an additional time of 30 days will be available to HUDCO to complete this procedure and the delayed period penalty will be calculated thereafter (i.e. after a total period of 60 days).

8.7 The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

9. Grievance Redressal Mechanism

HUDCO has a Grievance Redressal Mechanism in place for receiving, registering and disposing of complaints and grievances in each of its offices, including those received on-line. The mechanism ensures that all disputes arising out of the decision of HUDCO's functionaries are heard and disposed of by the Competent Authority under Grievance Redressal Mechanism.

Grievance Redressal Mechanism covers all complaints and grievances including those relating to lending operations of the Company, i.e. application forms, sanction, disbursement, etc., and the same is disclosed on the Company's website under the heading "Statutory Requirement."

The complaint can be made at Regional Office (RO) or at Corporate Office (CO). The list of Customer Relation Officers (CRO) 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 CO. 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 CO.

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

Executive Director (Law)
HUDCO Limited
Core 7A, HUDCO Bhawan,
India Habitat Centre, Lodhi Road,
New Delhi-110003
Telephone No: 011-24616732
E-mail ID: grievance@hudco.org

If the compliant dispute is not redressed within a period of one month or is dissatisfied with the response received, the complainant may approach the Officer-in-Charge of the Regional Office of DNBS of RBI, under whose jurisdiction the registered office of the NBFC falls.

The details of Officer-in-charge of Regional Office of DNBS of RBI is as under:-

General Manager
Department of Non-Banking Supervision
Reserve Bank of India
6, Sansad Marg,
New Delhi-110 001

If a complaint has been received in writing from a customer, HUDCO shall endeavour to send him/her an acknowledgement within a week. After examining

the matter, HUDCO shall send the customer its final response or explain why it needs more time to respond and shall endeavour to redress within one month of receipt of a complaint.

10. Report on Compliance to Board of Directors

The compliance of the Fair Practice Code and Grievance Redressal Mechanism shall be reviewed by 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 Grievance Redressal officer (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 HUDCO Board on annual basis by Chief Compliance Officer (CCO).

11. Regulation of Excessive interest charged

- 11.1 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 and the approach of gradation of risk and rationale for charging different rate of interest to different category of borrowers shall be disclosed to the borrower and communicated explicitly in the sanction letter.
- 11.2 The rate of interest should be an annualized rate so that the borrower is aware of the exact rates that would be charged to the account.
- 11.3 The rates of interest, the approach of gradation of risks, common fee and penal charges (if any) shall also be made available on HUDCO's website and shall be updated whenever there is a change in the rates of interest.

12. General

- 12.1 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).
- 12.2 In case of receipt of request from the borrower for transfer of the borrowal account, the consent or otherwise, i.e., objection of HUDCO, if any, shall be conveyed within 21 days from the date of receipt of the request. Such transfer shall be as per transparent contractual terms in consonance with the law.
- 12.3 In the matter of recovery of loans, HUDCO shall not resort to undue harassment, viz., persistently bothering the borrowers at odd hours, using muscle power for recovery of loans, etc. HUDCO shall ensure that the staff are adequately trained to deal with the customers in an appropriate manner.
- 12.4 HUDCO shall not charge foreclosure charges/pre-payment penalties on loans sanctioned to individual borrowers, with or without co-obligant(s).

13. Reset of floating interest rate on Equated Monthly Instalments (EMI) based Housing Loans to Individuals

- 13.1 At the time of sanction, HUDCO shall clearly communicate to the borrowers about the possible impact of change in benchmark interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.
- 13.2 At the time of reset of interest rates, HUDCO shall provide the option to the borrowers to switch over to a fixed rate as per its Board approved policy. The policy, may also specify the number of times a borrower will be allowed to switch during the tenor of the loan.
- 13.3 The borrowers shall also be given the choice to opt for (a) enhancement in EMI or elongation of tenor or for a combination of both options; and (b) to prepay, either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/pre- payment penalty shall be subject to extant instructions.
- 13.4 All applicable charges for switching of loans from floating to fixed rate and any other service charges/administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and also at the time of revision of such charges/costs by HUDCO from time to time.
- 13.5 HUDCO shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.
- 13.6 HUDCO shall share/make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest/Annual Percentage Rate (APR) for the entire tenor of the loan. HUDCO shall ensure that the statements are simple and easily understood by the borrower.

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