

**Interest Rate policy
(Mar 2023)**

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I. Background:

National Housing bank has advised that the Board of each HFC shall approve an Interest rate policy for the Company, taking in to account relevant factors such as margin and risk premium charged to different categories of borrowers. The Interest rates are also required to be made available on the website of the Company. The Company has been offering products linked with its floating reference rate model. In addition to the existing product suite, the Company also offers floating rate loans linked to an external benchmark. The Company has two Interest rate models with which loans can be linked.

1. Floating Reference Rate (FRR) Model
2. External Benchmark Model

II. Omnibus Clause:

Particulars	Directions
Version No.	5.0
Applicable RBI directions / circulars / notifications	<p>a. Master Directions – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, as amended from time to time.</p> <p>b. The contents of this Policy shall stand automatically amended in case of any amendments / revisions issued by the Reserve Bank of India (“RBI”) from time to time.</p>
Approval Authority	Board of Directors

III. Principles for determining interest rate for loans linked to FRR:

- Bajaj Housing Finance Limited (BHFL/ Company) has developed model for arriving at benchmark rates for different type of customers such as Salaried, Self-employed and Corporates. The model takes into consideration amongst other things, BHFL’s weighted average cost of funds, fund raising cost and liquidity/risk premium, negative carry on investments and expenses incurred to source the loans. The Company has also developed a benchmark rate for extending unsecured loans to its customers. Benchmark rates developed from the above model are termed as Floating Reference Rates (FRRs).
- The said FRRs are reviewed in the Asset Liability Committee meeting (‘ALCO’) and is periodically published on the Company’s website.
- The rate of interest for loans for various products and various schemes thereunder is arrived at through BHFL’s benchmark Floating Reference Rate model, cost on account of risk and tenor premium for the concerned business segment, business specific operating cost, threshold return expectation from the product category and accordingly margin is adjusted to arrive at the lending rate.

- The interest rate for FRR linked loans shall be reset from time to time basis post change in the benchmark FRR by the Managing Director or the ALCO of the Company and would be effective from the date as approved by Managing Director or the ALCO post communication to the customer.
- In case of high-ticket commercial loans, on specific request of customer and at the discretion of the Company, these loans may also be referenced to an external benchmark rate of any large Indian banks viz. SBI, HDFC, Axis, etc. Though such loans may be referenced to an external benchmark, the same would be booked in the system on the Company's FRR.

IV. Principles for determining interest rate for loans linked to External Benchmark:

Under the external benchmark model, lending rate would be decided based on the external benchmark plus spread, threshold return expectation from the product category and customer specific credit risk premium, if any.

The benchmark rates under this model could be any one of following:

1. Reserve Bank of India policy Rates
2. Government of India 3-Months Treasury Bill yield published by the Financial Benchmarks India Private Ltd (FBIL)
3. Government of India 6-Months Treasury Bill yield published by the FBIL
4. Any other benchmark market interest rate published by the FBIL from time to time.

The Company would offer loans linked to Repo rate initially and for launching products linked with other external benchmark an operating framework would be prepared and presented for approval in ALCO or by Managing Director.

The interest rate under Repo linked benchmark shall be reset from time to time basis post repo change by RBI and would be effective from the day rate change is approved by the Managing Director or the ALCO of the Company post communication to the customer. Customers may be provided facility to switch between FRR model to external benchmark linked model and vice versa by paying a switch fee, as may be decided by the Company from time to time.

These external benchmark linked loan rate movements would be updated in monthly ALCO and uploaded on the Company's website.

V. Other governing principles

- The final lending rate for various products offered by BHFL will be arrived at after taking into account market reputation, interest, credit and default risk in the related business segment, historical performance of similar homogeneous clients, profile of the borrower, tenure of relationship with the borrower, repayment track record of the borrower, subventions available, deviations permitted, future potential, group strength, overall customer yield, nature and value of primary and collateral security,

etc. Such information is gathered based on information provided by the borrower, credit reports, market intelligence and information gathered by field inspection of the borrower's premises.

- The rate of interest for the same product and tenor availed during same period by different customers need not be standardized. It could vary for different customers depending upon consideration of any or combination of above factors.
- The interest rates could be offered on fixed or variable basis.
- The interest re-set period would be decided by the Company from time to time.
- The interest could be charged on monthly or quarterly rests for different products / segments.
- Final lending rates would be intimated to the customers at the time of sanction / availing of the loan and EMI apportionment towards interest and principal dues would be made available to the customer.
- The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed.
- Besides normal interest, the Company may levy additional / penal interest for delay or default in making payments of any dues. These additional or penal interests for different products or facilities would be decided by the Managing Director of the Company.
- Changes in the interest rates and charges would be prospective in effect and intimation of change of interest or other charges would be duly communicated to the customers through acceptable modes of communication channels like SMS / email, etc.
- Besides interest, other financial charges like processing fees, origination fees, cheque bouncing charges, late payment charges, reschedulement charges, pre-payment / foreclosure charges, part disbursement charges, cheque swap charges, security swap charges, Switch fees charges for issue of statement account etc., would be levied by the Company wherever considered necessary. Besides these charges, stamp duty, GST and other cess would be collected at applicable rates from time to time. Any revision in these charges would be from prospective effect. These charges would be decided upon by in consultation with Compliance, Operations, Finance and Legal Heads.
- Penal Interest and charges levied to customers shall not exceed the below limits.
 - Penal Interest - 24% p.a. charged for the period instalment remained overdue.

- Bounce Changes -

Category	Min. Loan Amt.	Max. Loan Amt.	Bounce charges (in Rs.)
Secured Retail	0	5,00,000	500
	5,00,001	15,00,000	1,800
	15,00,001	30,00,000	2,400
	30,00,001	1,00,00,000+	3,000
Unsecured	Irrespective of loan amount		750
Commercial-DF	Irrespective of loan amount		10,000
Commercial-CRE	Irrespective of loan amount		5,000

- The Company shall not charge pre-payment levy or penalty on pre-closure of housing loans under the following situations:
 - a. Where the housing loan is on floating interest rate basis and pre-closed from any source.
 - b. Where the housing loan is on fixed interest rate basis and the loan is pre-closed by the borrower out of their own sources.
- The Company shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).
- For all other loans, the Company will levy the following Part Prepayment penalty / Foreclosure Charges:
 - Part pre-payment charges - 2% plus GST
 - Foreclosure charges – Upto 4% plus GST
- While deciding the charges, the practices followed by the industry in the market would also be taken into consideration.
- Claims for refund or waiver of charges / penal interest / additional interest would normally not be entertained by the Company and it is at the sole discretion of the Company to deal with such requests.

Any revision in the Company's benchmark Floating Reference Rates or the spreads (which moves with changes in various factors including but not limited to changes in customer risk profile, cost of funds of the Company, money market rates movement and / or any major change in the macroeconomic scenario, etc.) for both the models and the consequential interest rates applicable to customers and, penal interest and charges can be reviewed and any change thereon can be approved by Managing Director or the ALCO.