

CREDIT AND LOAN MANAGEMENT POLICY

1. INTRODUCTION

The purpose of this document is to define the credit policy for the company. This is living document and supposed to be updated on a regular basis.

This document should not be seen in isolation but in conjunction with the other policy documents that define the overall working of the company. For the sake of simplicity and to avoid confusion, any matter covered in other policy documents is not repeated in this document.

Following is the list of other documents that are complimentary this policy document:

1. Asset-Liability and Risk Management policy
2. Investment policy
3. Accounting policy
4. Administrative Policy
5. Legal policy
6. Employee policy

2. COMPANY PHILOSOPHY

AKME STAR HOUSING FINANCE LIMITED (ASHFL) believes in managing the business through a solid set of policies including the credit policy. Considering the importance of credit policy, the top management will be directly involved in the various aspects of credit related issues.

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3. SOURCES OF FUNDS

Apart from company owned funds that includes equity, the money for the purpose of lending can be borrowed from various sources:

- National Housing Bank (NHB)
- the Banks and other Financial Institutions

- Foreign Citizens or Persons
- Foreign Authorities or Foreign Institutions
- Overseas or India based NGOs
- HUDCO
- Credit Co-operative Societies
- Shareholders
- Promoters or close relatives of promoters by way of subscription to equity shares or debt in the form of unsecured loans

The refinance money can be borrowed from the banks under the priority sector and by securitization of our assets.

The company makes best efforts to borrow the money at the lowest possible rates in order to provide best value to its borrowers and to maximize the value of various stakeholders.

4. DISBURSEMENT OF FUNDS

AKME STAR HFL is committed to offer the services in the form of Home loans for

- Purchase of new units
- Construction of New units
- Purchase of plot and construction of units within 30 months from disbursement
- Purchase of resale units
- Extension & Renovation (repair)

It allocates major thrust on the needs of the rural & micro-rural customers.

ASHFL also provides

- Loan against property
- Education loans,
- Personal loans,
- Business Loans,
- Vehicle loans and
- Project loans to Developers

as per the norms specified by the National Housing Bank.

5. TERMS AND CONDITIONS

5.1. Loan Amount

The loan amount sanctioned to one party can't exceed 15% of the net owned funds of the company.

The Loan amount which a person can borrow is decided by his/her repayment capacity. Repayment capacity takes into consideration factors such as income, age, qualifications, number of dependents, spouse's income, assets, liabilities, stability and continuity of occupation and savings history. Our main concern is to make sure whether the borrower can comfortably repay the loan amount.

5.2. Period

The maximum period within which the loan can be repaid is between one to fifteen years. Repayment should not be beyond the age of retirement or on reaching sixty –five years of age whichever is earlier. However the final decision regarding relaxation of the tenure & age is taken by the Board.

5.3. Rate of Interest

Looking at the market scenario the decision on the rate of interest would be taken by the Board which would be different for the different product types and borrower profiles. The interest is flat. Currently it's between 10% and 15%.

5.4. Loan Management

The core business of the company is providing the housing loans to the public, the key aspect of administration deals with loan process. There are three aspects of the loan process –

- Loan disbursement
- Repayment / Collection
- Delinquency management

5.5. Loan Disbursement Process

1. Prospective customers contacts the company in one of the following ways –
 - a. Phone
 - b. Walk-In

- c. E-Mail
 - d. Website
2. The brochure is provided and any queries are answered accordingly.
3. The prospect applies for the loan with required documents –
 - a. The prospect is helped with eligibility and EMI.
 - b. A comprehensive list of documents to be attached is provided.
 - c. All the charges including processing charges are explained.
 - d. Loan processing fee is collected from the prospect – its non-refundable Fee up to 2% of the loan amount payable in cash/cheque
4. The loan is processed for sanctioning. Following are the activities involved –
 - a. Interview if deemed necessary
 - b. Interview by senior management if deemed necessary
 - c. Prospect rating – Every prospective customer is rated on a scale of 1-10 before a loan is approved. The rating is done on the following parameters-
 - i. Past performance (if any)
 - ii. Loan amount
 - iii. Strength of Collateral
 - iv. Valuation of Collateral
 - v. Repayment Capacity
 - vi. Regularity of Income
 - d. Preparation of Property Inspection Report
 - e. Preparation of Scrutiny Report (includes Legal and Credit Reports)
 - f. The data than entered in the Loan System
5. On the basis of the appraisals described above, a decision is taken by the Managing Director/Director on the loan disbursement, interest rate, amount and processing fee.
6. Offer letter is prepared and given to the borrower
7. Following documents are filled and the file is numbered –
 - a. Application form
 - b. Promissory note
 - c. Letter of Irrevocable Undertaking
 - d. Special power of Attorney
 - e. Loan Agreement
 - f. Original documents of the Property
 - g. Property Inspection Report

- h. Scrutiny Report
8. Once the borrower provides the proof of his/her contribution -
 - a. Post-dated cheques (PDC) are collected from the borrower –
 - b. Loan amount is disbursed through one or more cheque(s) considering the current valuation of the property. If it's a new construction, the loan is disbursed in stages as per the completion schedule.