

NHB Registered  
U67120RJ1995PLC009580



सुधियां आपकी साथ हमारा....

**MENTOR HOME LOANS INDIA LTD.**

## INTEREST RATE & PENAL CHARGES POLICY

Revision History:	
Last updated on	28 <sup>th</sup> December, 2022
1 <sup>st</sup> Amendment	28 <sup>th</sup> December, 2023
2 <sup>nd</sup> Amendment	29 <sup>th</sup> November, 2024

**MENTOR HOME LOANS INDIA LTD.**

MENTOR HOUSE, GOVIND MARG, SETHI COLONY, JAIPUR,  
RAJASTHAN – 302004, Tel: 0141 – 2611999, 8946800800 Email:-  
[info@mentorloans.co.in](mailto:info@mentorloans.co.in), Website: [www.mentorloans.co.in](http://www.mentorloans.co.in)

NHB Registered  
U67120RJ1995PLC009580

## I. Background

The Reserve Bank of India (“RBI”) has issued the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 (as amended from time to time) [“the Master Direction”]. In furtherance, RBI vide circular on Fair Lending Practice – Penal Charges in Loan Accounts dated August 18, 2023 has released guidelines to ensure reasonableness and transparency in disclosure of penalties to the customers. The RBI vide the Master Direction has advised HFCs to adopt an appropriate 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 and other similar financial products and to disclose the rate of interest, gradations of risk and rationale for charging different rate of interest to different categories of borrowers or customers or clients and to disclose the rate of interest to the borrowers or customers or clients in the Loan Application Form (the LAF) and to be communicated explicitly in the sanction letter / intimation.

Mentor Home Loans India Limited (“MHLIL/ the Company”) is registered as Housing Finance Company with National Housing Bank and is classified as a Middle Layer NBFC (“NBFC-ML”) under the Scale Based Regulatory Framework issued by RBI. Keeping in view the provisions of the Master Direction and the good Corporate Governance Practices being followed by the Company, the following internal guidelines, policies, procedures and interest rate model have been adopted and/or revised by the Company. The Board of Directors of the Company (“the Board”) or any Board constituted Committee (“the Committee”) as the case may be, while fixing interest rates chargeable from the customers shall be guided by this Interest Rate & Penal Charges Policy (“Policy”). In addition to cost factors set out hereunder, the Board or the Committee shall be guided by the prevalent market conditions and various general and specific factors and the rules and regulations, if any, prescribed by the Reserve Bank of India or such other authority from time to time. Accordingly, the Company has adopted the Interest Rate & Penal Charges Policy / model to make available the rates of interest and the approach for gradation of risks in the loan being disbursed by the Company. The Interest Rate & Penal Charges Policy is intended to be representative of the Company’s guiding philosophy in relation to dealing with customers in a transparent and open manner.

## II. Interest Rate Model

- At MHLIL, we will be offering credit facilities on fixed rate of interest.
- Loans under Fixed Rate of Interest are decided based on the Cost of Funds (allocated through Fund Transfer Pricing), Operational Expenditure, Business related risk and desired Return on Equity (ROE)/ Return on Assets (ROA).
- The annualized rate of interest would be intimated to the customer.
- Interest changes would be prospective in effect and intimation of change of interest, if any, or other charges would be communicated to customers.
- The rate of interest for loans for various business segments and various schemes thereunder is arrived after adjusting for spread by the relevant business segment. Factors taken into account by businesses for calculating spreads are Interest rate risk (fixed vs floating loan),

**MENTOR HOME LOANS INDIA LTD.**

MENTOR HOUSE, GOVIND MARG, SETHI COLONY, JAIPUR,  
RAJASTHAN – 302004, Tel: 0141 – 2611999, 8946800800 Email:-  
[info@mentorloans.co.in](mailto:info@mentorloans.co.in), Website: [www.mentorloans.co.in](http://www.mentorloans.co.in)

NHB Registered

U67120RJ1995PLC009580

Credit and default risk in the related business segment, Historical performance of similar homogeneous clients, Profile of the borrower, Industry segment, Repayment track record of the borrower, Nature and value of collateral security, Secured Vs unsecured loan, Subvention available, Ticket size of loan, Bureau Score, Tenure of Loan, Location delinquency and collection performance, Customer Indebtedness (other existing loans).

- The rate of interest for the same product and tenor availed during same period by different customers need not be the same. It could vary for different customers depending upon consideration of all or combination of above factors.
- The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed.
- The interest rate models, base rate and other charges applicable shall be reviewed by the Asset Liability Management Committee (ALCO) periodically and make suitable recommendations to the Board.

Note: For a borrower, actual Rate of Interest will be based on the risk margin according to factors like credit risk associated, quality of the property/ security, costs attached etc. Thus, the applicable Rate of Interest may be different for different borrowers.

### III. Factors affecting rate of interest

- Costs of Funds - The rate of interest charged is also affected by the rate at which the funds necessary to provide loan facilities to customers are sourced normally referred to as internal cost of funds. All loans or credit facilities should, at minimum, provide an Internal Rate of Return ('IRR') or a life to maturity yield of 12%. From an external cost of funds perspective, the benchmark interest rate that may be used by MHLIL could be either the Base Rate of India or the 10- year Government of India bond as adjusted for the rating spreads available in the markets.
- Internal cost loading - The interest rate charged will also consider costs of doing business. Factors such as the complexity of the transaction, the size of the transaction and other factors that affect the costs associated with a transaction should be considered before arriving at the final interest rate quoted to a customer.
- Credit Risk - As a matter of prudence, bad debt provision cost should be factored into all transactions. This cost is then reflected in the final interest rate quoted to a customer. The amount of the bad debt provision applicable to a transaction depends on the credit strength of the customer. Further various methods mentioned below are used for evaluating credit risk by the company: Credit Risk Evaluation for Corporate Borrowers: The credit risk for Corporate Borrowers is evaluated after taking into consideration the following factors: • Debt/Equity ratio, • Interest Coverage Ratio, • Debt Service Coverage Ratio, • Track record with other lenders • Market Value of assets owned by the Group • Security Cover • Any other factor depending on case to case basis
- Fixed versus floating – the applicable interest rate shall also be commensurate from the perspective of the fixed versus floating interest rate requirements of the customers and shall have to be decided in view of the benchmarks deliberated above.

Apart from the above, the Company does a detailed analysis of the customers through its credit team

**MENTOR HOME LOANS INDIA LTD.**

MENTOR HOUSE, GOVIND MARG, SETHI COLONY, JAIPUR,  
RAJASTHAN – 302004, Tel: 0141 – 2611999, 8946800800 Email:-  
[info@mentorloans.co.in](mailto:info@mentorloans.co.in), Website: [www.mentorloans.co.in](http://www.mentorloans.co.in)

NHB Registered

U67120RJ1995PLC009580

including but not limited to creditworthiness, property location & value, debt to income ratio, market condition etc. which also helps the credit team to decide the rate of interest.

#### IV. Penalties levied on the Customer (Effective from January 01, 2024)

- Besides normal Interest, the Company may levy penal charges for any delay or default in making payments of any dues. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount, and the same will be communicated to the borrowers by way of bold letters in the loan agreement and communicated in the sanction letter or intimation to the borrower.
- No claims for refund or waiver of such charges/ Penal Charges would normally be entertained by the company and it is the sole discretion of the company to deal with such requests if any.
- Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower and shall be treated as “penal charges” and shall not be levied in the form of ‘penal interest’. These penalties shall also cover charges levied on the customer for delay in payment of their overdue EMI.
- There shall be no capitalisation of penalties i.e., no further interest computed on such charges.
- The company shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.
- The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.
- The penalties in case of loans sanctioned to ‘individual borrowers, for purposes other than business’, shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
- The quantum and reason for penal charges shall be clearly disclosed by the company to the customers in the loan agreement/MITC, in addition to being displayed on the company’s website.
- Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penalties shall be communicated. Further, any instance of levy of penalties and the reason thereof shall also be communicated.

#### V. OTHER CHARGES

- Besides normal Interest, the Company may levy additional interest for adhoc facility, penal charges/ default interest for any delay or default in making payments of any dues. The details of Penal charges for late repayment will be mentioned in the loan agreement and communicated in the sanction letter/MITC to the customer.
- Company may levy other financial charges like processing fees, origination fees, cheque bouncing charges, late payment charges, re-scheduling charges, pre-payment / foreclosure charges, part disbursement charges, cheque swap charges, security swap charges, charges for issue of statement account etc., wherever considered necessary. Besides these charges, stamp duty, service tax / GST and other cess would be collected at applicable rates from time to time. Any revision in these charges would be

**MENTOR HOME LOANS INDIA LTD.**

MENTOR HOUSE, GOVIND MARG, SETHI COLONY, JAIPUR,  
RAJASTHAN – 302004, Tel: 0141 – 2611999, 8946800800 Email:-  
[info@mentorloans.co.in](mailto:info@mentorloans.co.in), Website: [www.mentorloans.co.in](http://www.mentorloans.co.in)

NHB Registered

U67120RJ1995PLC009580

- implemented prospective basis with due communication to customers.
- Claims for refund or waiver of charges/ penal charges/ additional interest would normally not be entertained by the Company. It is the sole and absolute discretion of the Company to deal with such requests, if any.

## VI. Communication Framework

Mentor will communicate the effective rate of interest to customers at the time of sanction / availing of the loan through the acceptable mode of communication.

Interest Rate Policy would be uploaded on the website of the company and any change in the benchmark rates and charges for existing customers would be uploaded on the website of the Company.

Changes in the rates and charges for existing customers would also be communicated to them through various modes communication such as website updation, email, letters, SMS, etc.

## VII. Amendments to the Interest Rate Policy

The Board of Directors/Committee of the board is authorized to review and make appropriate changes to the Interest Rate Policy from time to time basis the money market scenario in the Country which includes the upward / downward revision in interest rates applicable to various loan products and the relevant charges applicable for such loan products.

We request the Board of Directors/Committee to review, make a note of this Policy and approve for implementation of this Policy framework across the product range of the Company.

Sd/-  
**Pawan Kumar Goyal**  
Managing Director

-----\*End of Document\*-----

**MENTOR HOME LOANS INDIA LTD.**

MENTOR HOUSE, GOVIND MARG, SETHI COLONY, JAIPUR,  
RAJASTHAN – 302004, Tel: 0141 – 2611999, 8946800800 Email:-  
[info@mentorloans.co.in](mailto:info@mentorloans.co.in), Website: [www.mentorloans.co.in](http://www.mentorloans.co.in)