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U67120RJ1995PLC009580

Mentor Home Loans India Limited: Policy on Asset Classification
and Income Recognition – COVID 19 Regulatory Package

POLICY ON ASSET CLASSIFICATION AND INCOME RECOGNITION – COVID 19 REGULATORY PACKAGE

MENTOR HOME LOANS INDIA LTD.

Revision History:	
Effective From	3rd September, 2021
1st Amendment	28th December, 2022
2nd Amendment	28th December, 2023
3rd Amendment	29th November, 2024
4th Amendment	28th November, 2025

MENTOR HOME LOANS INDIA LTD.

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INTRODUCTION

The Hon'ble Supreme Court of India has pronounced its judgement in the matter of *Small Scale Industrial Manufacturers Association vs UOI & Ors.* and other connected matters on March 23, 2021 advising waiver of interest on interest, i.e., compound interest, charged by lenders during COVID-19 moratorium period from March 1, 2020 to August 31, 2020.

Reserve Bank of India (RBI) vide Notification RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22 dated April 7, 2021 issued guidelines on Asset Classification and Income Recognition following the expiry of COVID-19 regulatory package advising all lending institutions to put in place a Board-approved policy to refund/ adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020 in conformity with the above judgement.

BACKGROUND

RBI vide notification dated March 27, 2020 announced COVID-19 – Regulatory Package, issued detailed instructions to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses. Under the COVID-19 – Regulatory Package, RBI has permitted all lending institutions including NBFCs to grant a moratorium of six months on payment of all instalments falling due between March 1, 2020 and August 31, 2020.

In compliance with the above COVID-19 – Regulatory Package, the Board of Directors of the Company had approved "Moratorium Scheme for Borrowers impacted by COVID-19", which provides for accrual of Interest on the loan outstanding during the Moratorium Period at the rate at which such loan was given to the borrower and interest due for the Moratorium Period will be recovered after the end of Moratorium Period.

The Company has implemented the Moratorium Scheme as follows:

- Interest capitalization was done from March 1, 2020 till August 31, 2020 for those borrowers whose account was standard as on February 29, 2020.
- No changes to be made in repayment schedule for the overdue borrowers as on February 29, 2020, borrowers who have not opted Moratorium and the borrowers who closed/ pre-closed their loans after clearing all the over dues.
- Moratorium was granted only to those Borrowers whose loans were standard as on February 29, 2020. (These Borrowers requested not to increase the amount of Loan instalments in view of additional interest and not paying instalments during moratorium period. As such the Company extended the loan tenor by number of months that a borrower availed moratorium.)

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- Revised repayment schedules are being/ to be given to Borrowers and the office copy of the repayment schedules are being/ should be duly acknowledged by the Borrowers.

SCOPE

The scope of this policy is applicable to all loans on which compound interest is charged during the moratorium period, i.e. March 1, 2020 to August 31, 2020.

POLICY

The Company shall adopt uniform methodology for the refund of interest on interest/ compound interest/ penal interest as finalized and notified by Indian Banks Association vide letter CIB/ ADV/ MBR/ 9833 dated April 19, 2021 as follows:

I. REFUND/ ADJUSTMENT OF 'INTEREST ON INTEREST'

A. ELIGIBLE ACCOUNTS

- Borrower accounts which were standard as on February 29, 2020 including borrower accounts were principal and interest payment is overdue up to 90 days, will be eligible for the refund i.e., Borrowers who has been charged interest on interest during the moratorium period.
- Account eligible for refund only if compound interest/interest on interest has been applied during the moratorium period ("eligible accounts"); and
- Refund to be provided for the eligible accounts, irrespective of whether moratorium was availed or not.

B. INELIGIBLE ACCOUNTS

- NPA accounts which as on February 29, 2020 (presumption being no interest or no compound interest is charged in case of NPA accounts);
- Accounts where compounding interest/ interest on interest for non-payment/ delayed payment has not been applied during the moratorium will not be eligible for refund of interest;

C. CALCULATION METHOD

- Monthly outstanding balance to be reckoned for calculation of interest;
- Compound interest/ interest on interest on outstanding loans during the moratorium period i.e. March 1, 2020 to August 31, 2020 will not be added to the principal outstanding;
- Repayments of interest and instalments on the Loan accounts of borrowers during the moratorium period shall be considered for working out the difference between simple and compound interest.

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D. ACCOUNTS CLOSED DURING MORATORIUM PERIOD

- Interest on closed accounts will be calculated up to one day prior to the closure date.

E. IMPLEMENTATION

- Borrower Accounts already closed:
 - The Company shall refund the interest on interest/ compound interest as identified under this policy, to the Bank Account of Borrowers who have already closed their Accounts with the Company prior to refund of the said amount due to the Borrower;
 - The Company shall communicate to the borrowers concerned the details of the Borrower Account, Amount of Refund and computation thereof.
- Borrower Accounts that are active:
 - The Company shall adjust the differential amount with the future payables by the Borrowers;
 - The Company shall communicate to the borrowers concerned the details of the Borrower Account, Amount being adjusted and computation thereof;
 - Instalment amount shall be same during the remaining tenure of the loan account and repayment amount for the last instalment will be adjusted;
 - All instalments shall be rounded-off to Rs.10, except for the last instalment;
 - Revised repayment schedules to be given to Borrowers and the office copy of the repayment schedules should be duly acknowledged by the Borrowers;

F. OTHERS

- The Rate of Interest for the revised tenure on account of moratorium granted shall be at the rate of Interest as has mentioned in the sanction letter at the time of grant of loan.
- The Company shall create provision in its books of accounts for the financial year ended March 31, 2021 in relation to the amount to be refunded or adjusted;
- The Company shall disclose the aggregate amount to be refunded or adjusted in respect of the borrowers in the financial statements for the year ended March 31, 2021.

II. Asset Classification

The Company shall while classifying the borrower accounts shall ensure compliance with guidelines issued by RBI as per circular DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020.

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Modification of Policy

The Board of Directors/ Committee of the Company provide for periodical review of the compliance at various levels of management. A consolidate report of such reviews (if required) may be submitted to the Board/Committee at regular intervals, as may be prescribed by it.

The Company reserves to itself the right to alter/delete/add to these codes at any time without prior individual notice and such alterations /deletion/addition shall be binding.

Sd/-

Pawan Kumar Goyal
Managing Director

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