



खुशियां आपकी साथ हमारा....

**MENTOR HOME LOANS INDIA LTD.**

# UNSECURED LOAN POLICY

Revision History:	
Effective From	28 <sup>th</sup> December, 2022
1 <sup>st</sup> Amendment	28 <sup>th</sup> December, 2023
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**MENTOR HOME LOANS INDIA LTD.**

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## 1. INTRODUCTION

An Unsecured Loan is a loan that does not require you to provide any collateral to avail them. It is issued to you by the lender on your creditworthiness as a borrower. And hence, having an excellent credit score is a prerequisite for the approval of an Unsecured Loan.

Examples of unsecured loans include personal loans, student loans and credit cards.

Mentor Home Loans India Limited (MHLIL/the Company) is registered with National Housing Bank (NHB) as a non-deposit accepting HFC. Being an HFC, it has to comply with Guidelines / Directions issued by NHB from time to time. Accordingly, in case a loan is to be sanctioned on unsecured basis, the same shall be in accordance with the Board approved policy of the HFC.

## 2. OBJECTIVE AND SCOPE OF THIS POLICY

The Company shall duly implement and keep the Unsecured Loan Policy including the Appendices and any amendments thereto up to date, in accordance with any regulatory, corporate or other legal requirements.

The objective of this Policy document is to provide a framework, which, will enable the MHLIL to embody various key criteria that outlines the guiding principles in respect of unsecured loan offered by the MHLIL from time to time.

This Policy will cover the role and responsibilities of the MHLIL to design and to provide some fundamental guidance on unsecured loan, its purpose, eligibility criteria, loan approval process, sanctioning, interest rates etc.

## 3. SANCTIONING AUTHORITY

The Managing Director and Chief Operating Officer shall be the sanctioning authority. Authority may approve the proposal from any other sector on case to case basis covering the entire spectrum of aspects viz. purposes, size, interest rate, term, repayment terms, and security required and any other conditions will be as decided by the authority.

## 4. PURPOSE OF UNSECURED LOAN

The purpose of unsecured loans is generally determined by the borrower. Any loan that does not have an underlying collateral is termed as unsecured from the perspective of the Company. If the borrower intends to utilize the loan for multiple purposes and not necessarily to acquire any asset, the borrower may choose to avail a personal loan. Such personal loan may or may not be used to acquire assets, however, do not have any asset as collateral with the Company. The basic purpose of unsecured loans is to make funds accessible to individuals who may have many financial commitments which they may not be in a position to honor due to the lack of funds.

## 5. ELIGIBILITY CRITERIA

The general criteria include:

- credit score (<650),
- age (Min. 21 years and Max. 65 years at the time of loan maturity),
- place of residence (within 30 km. radius from Branch/ Office location),
- occupation,
- income (Max. 50% FOIR),
- existing liabilities and
- capacity to repay the loan.

**Customer Selection:** In case of unsecured loan taken by individuals from MHLIL to meet their personal needs, it shall be provided to:

- Salaried Employees of Public Sector Institutions/Companies/Undertakings.
- Salaried Employees of Private Sector Companies.
- Self-Employed Individuals.
- Students.

An individual's eligibility is also affected by the company he is employed with, his credit history, etc. MHLIL normally focus on highly-paid professionals, businessmen, credit card users for their personal loan requirements and are aggressive in assuring sanction/ disbursement especially in pre-approved cases which meet the following parameters:

- Existing customer
- Credit card holder
- Working in blue-chip companies
- During credit camp/credit campaign.

## 6. LOAN UNDERWRITING

The process from the receipt of customers' request and communication of the final approval of facility will be as under:

### (i) Loan Approval process:

The process will start from the receipt of customers' request and the processing of same, including approval of the credit facility. The process ends with the communication of an approval of facility to the customer through a term sheet/sanction letter.

- **Loan Application:** The customer shall submit a form to inform the Company regarding the interest in a certain loan product.

- **KYC Document Verification:** The documents submitted by the customer will be required to be analysed either using competent technological or human resources.
- **Credit Appraisal:** This step involves arriving at a decision to provide the loan or not. MHLIL shall require additional documents such as income statement, PAN, Form16 or other considered necessary from the customer.

(ii) **Final decision on Sanction:**

The final decision to provide the loan or not will remain with MHLIL after all the previous steps.

Since the major focus in retail loans shall be unsecured loans, the underwriting shall be strengthened such that loans shall only be granted after the ability and intention to pay of the individual is assessed to an extent as much as possible. Unconventional sources such as alternative data modelling to arrive at the credit worthiness of the individual can also be used.

Unsecured loans shall not be granted to those who do not have a verifiable regular income, other than students. In case of students, the loan shall require the guarantee of another person who shall pay in case of default.

(iii) **Processing Fee:**

MHLIL has decided to charge a processing fee (0.5% to 3% plus GST) at applicable rates from time to time. Any revision in these charges would be implemented on prospective basis with due communication to customers. These charges would be decided upon by the respective business / Function heads in consultation with Operations, Finance, Compliance and Legal Heads. These shall be explicitly conveyed to the customer in the application form.

(iv) **Other Charges:**

The below charges shall be as applicable for each product line.

- Prepayment Charges/Loan Foreclosure
- Additional Interest on late payment
- PDC/ECS swap charges
- Loan cancellation charges
- EMI Bounce charges
- Legal charges
- Any other charges as applicable

7. **TENOR**

An unsecured loan shall be granted for a tenor of not less than 6 months and not more than 5 years. Shorter or longer tenures may be allowed on a case by case basis.

**8. DETERMINATION OF INTEREST RATES**

The interest rate on unsecured loans shall be from 12% to 24%. Being unsecured loans, personal loans have a higher interest rate than those on secured loans. However, the rate applicable to a borrower is contingent on key factors, including credit score, income level, loan amount and tenure, previous relationship (savings account, loans or credit cards) with the lender, etc.

Other relevant factors have been enumerated below:

- Interest shall be accrued and charged periodically but not less than monthly rests. Fees/ charges may be levied upfront or at other specific intervals as per the agreed terms and conditions.
- Some fees or commissions may have to be paid before the commencement of a facility, the customer shall be required make advance payment of such funds to MHLIL.
- In all cases, the effective interest rate shall be clearly communicated to the customers, all fees, commissions, interest rates and their calculations shall be transparent and explained in a manner that could be understood by the customers, in compliance with the Fair Practice Code, and the duplicate term sheet duly signed shall be obtained from the borrowers in token of acceptance of the terms and conditions of the facility.
- Interest Rate policy will be reviewed periodically to take into account market forces, inflation and risk factors.
- Interest rate structure may vary among borrowers depending upon the risk factors & need for achieving operational & financial sustainability. The Credit Authority will go through the rate recommended and give approval in all such cases.
- The sanctioning authority shall record specific reasons in writing at the time of sanctioning loans, in case no interest is stipulated or a moratorium for principal or interest is granted for any period.

**9. GENERAL INFORMATION**

- All customers shall be informed in detail regarding the features, terms and conditions including all charges of the loan before the sourcing of the application. In case of credit facility availed over online or telephonic mode, no loan application shall be processed without a written consent from the customer.
- MHLIL shall not discriminate the sanctioning of loans based on gender, caste or religion. However, it may choose to develop lending schemes for specific sections of the society.
- After the sanction of the loan, the loan terms and conditions, sanctioning letter, repayment schedule and all other such relevant documents shall be sent in any chosen mode and explained to the customer.
- We shall endeavour to inform the customer regarding status of the account prior to it turning into an NPA.

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**10. MODIFICATION OF POLICY**

The Board of Directors/ Committee of the company provides 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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