



Chaitanya

POLICY OF PROVIDING RELIEF UNDER COVID19 REGULATORY
PACKAGE OF
CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

POLICY FOR PROVIDING RELIEFS UNDER COVID-19 REGULATORY PACKAGE

CONTEXT

As the world is faced with the ongoing pandemic caused by COVID-19 virus - impacting lives of people, businesses and the economy; Governments and Central Banks across the world have responded with massive fiscal, monetary and regulatory measures to protect economic activity. In line with the same, the Government of India (GOI) and the Reserve Bank of India (RBI) have announced a slew of measures with a view to support livelihoods and minimize the adverse macroeconomic impact of the pandemic.

The COVID-19 Regulatory Package announced by the RBI has certain instructions towards Banks and NBFCs. The RBI has further advised each regulated entity to come up with a Board approved policy which clarifies the entity's stance on the COVID 19 measures and its action towards its customers. Such COVID-19 policy to cover the following:

- (a) Moratorium of Term Loans and Rescheduling of payments**
- (b) Defining the Objective Criteria for Considering Relief**
- (c) Eligible products and customer segments which can be brought under the Relief**
- (d) Recovery of interests accrued on loans during the moratorium period**
- (e) Recognition of defaults and reporting of NPAs after the moratorium period**
- (f) Reporting to Credit Information Companies (CICs)**
- (g) Communication of Clear Instructions to our staff regarding implementation of this Policy**
- (h) Information to Customers and disclosure in public domain**

In addition to the above points, our COVID-19 Policy covers the following,

- (i) Resumption of Loan disbursals post lockdown and during the Relief period**
- (j) Emergency loans to existing clients as a Relief measure**
- (k) Extension of Life Insurance coverage due to the Moratorium and Collection of Additional premia**
- (l) Seeking moratorium from our lenders**
- (m) Seeking moratorium from assignees and PTC investors**

RBI DIRECTIONS

The COVID-19 Regulatory Package was published by the RBI on 27th March, 2020. Its key points are: -

- ✓ In respect of all term loans (including agricultural term loans, retail and crop loans), all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies) ("lending institutions") are permitted to grant a moratorium of 3 months on payment of all instalments falling due between March 1, 2020 and May 31, 2020.

- ✓ The repayment schedule for such loans as also the residual tenor, will be shifted across the board by three months after the moratorium period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.
- ✓ The asset classification of term loans which are granted relief shall be determined on the basis of revised due dates and the revised repayment schedule.
- ✓ The rescheduling of payments, including interest, will not qualify as a default for the purpose of supervisory reporting and reporting to CICs by the lending institutions. CICs shall ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries.
- ✓ Lending institutions shall frame Board approved policies for providing the above-mentioned reliefs to all eligible borrowers, inter alia, including the objective criteria for considering reliefs and disclosed in public domain.
- ✓ These instructions come into force with immediate effect. The Board of Directors and the key management personnel of the lending institutions shall ensure that the above instructions are properly communicated down the line, and clear instructions are issued to their staff regarding their implementation.

MFIN ADVISORY

MFIN has subsequently come out with advisory for its members for moratorium on micro-credit loans: -

- ✓ Lender to give the maximum moratorium up to 31st May 2020 as permitted in the RBI Directive for all micro-credit loans. The repayment schedule for such loans as also the residual tenor, to be shifted across the board by three months after the moratorium period. To explain, repayment falling due in Mar 2020 will be due/collected in June 2020, repayment falling due in Apr 2020 will be due/collected in Jul 2020 and repayment falling due in May 2020 will be due/collected in Aug 2020.
- ✓ Lender can collect repayment from the customer who wants to repay as per original schedule to avoid accrued interest for the moratorium period. Lender should not collect any repayment through 1-to-1 meeting during the lockdown period. Such customers/groups are to be supported to pay digitally.
- ✓ Normally, the Lender should give moratorium for instalments falling due after 1st March 2020, against which the payment has not been received. However, if the customer has paid repayment due in March 2020 and wants to avail moratorium benefit on March 2020 repayment, this can be considered by the Lender. In such case, repayment received in Mar 2020 would be considered as prepayment and adjusted with Jun 2020 repayment.
- ✓ Lender to give moratorium to loan which was delinquent as on 1st March 2020.
- ✓ Lender to collect absolute amount of interest accrued in the moratorium period upfront or proportionately over the residual tenor (with increased installments) or towards the last/additional installment with or/after loan closure. It should be reported as due when it is due.
- ✓ Lender should maintain the days-past-due (DPD) status of loan as on 29th Feb 2020 until loan's first repayment due date after the moratorium period.
- ✓ Lender should update/replace loan documents (card, agreement), as necessary.
- ✓ Lender can disburse new loan to customer in line with RBI Directions for NBFC-MFIs and the Industry Code of Responsible Lending (CRL).
- ✓ Lender can pre-close the loan(s) if the customer so wants during the moratorium period.

- ✓ Lender to examine the coverage of Credit Linked Life Insurance for the extended term of the loan where moratorium is given. Extra premium to cover the extended tenor should be clearly communicated to customer and collected. If coverage is not extended, Lender should inform the customer about it.

COVID-19 POLICY FOR CIFCPL

A. MORATORIUM OF LOANS AND RESCHEDULING OF REPAYMENTS

CIFCPL will offer three (3) months moratorium to all eligible customers, basis the following terms: -

- All eligible products of CIFCPL will be offered moratorium from 23rd March 2020 to 31st May 2020
- Customer will be offered choice on to continue normal repayment or if she chooses the moratorium
- The maximum moratorium period will be up to 31st May 2020.
- All repayments falling due during the moratorium period will be rescheduled and extended further for customers who choose the moratorium; however, instalments that have been collected will not be rescheduled

B. DEFINING THE OBJECTIVE CRITERIA FOR CONSIDERING RELIEF

Our customers belong to the low and low-middle income segment and are the most vulnerable group of families in this whole crisis. A majority of our customers are contractual labourers and self-employed and their incomes and cash flows are anticipated to be significantly impacted by the outbreak and subsequent lockdown. Also, the gestation period for these families to resume livelihood and return to normal life is expected to be quite lengthy.

As such, all borrower segments and products of CIFCPL are eligible for the Relief, except for: -

- Internal employees, who are salaried persons and are continuing to draw salary from CIFCPL
- Any customer who explicitly opts against moratorium.

C. ELIGIBLE PRODUCTS AND CUSTOMER SEGMENTS WHICH CAN BE BROUGHT UNDER THE RELIEF

All products dealt with by CIFCPL, except Employee loans, are covered under the Relief.

D. RECOVERY OF INTERESTS ACCRUED ON LOANS DURING THE MORATORIUM PERIOD

During the moratorium period, the interest on loans will continue to accrue as per originally agreed rate of interest. This accrued interest will be recovered as additional instalment(s) during the extended loan tenure. **The company will not levy any overdue penalty, charge, or interest on interest during moratorium period.**

E. RECOGNITION OF DEFAULTS AND REPORTING OF NPAS AFTER THE MORATORIUM PERIOD

No default will be recognized during the moratorium period for all customers who have chosen to opt for moratorium. The rescheduled loans will not be reported as default or restructured account. W.e.f. 1st June, 2020 default recognition will commence for all loans under moratorium.

F. REPORTING TO CREDIT INFORMATION COMPANIES (CICS)

For loans under moratorium, we will maintain the DPD status of loan as 22nd March 2020 until loan's first repayment due date after the moratorium period. We will also cure the non-repayments status of moratorium loans getting delinquent in Mar 2020 in the monthly submission to CICS.

G. COMMUNICATION OF CLEAR INSTRUCTIONS TO OUR STAFF

We shall frame a revised process flow and operations manual for the COVID-19 relief package and moratorium to customers. Clear communication will be made to all staff on the COVID-19 policy and revised obligations of our customers. Staff will also be instructed to follow RBI guidelines, MFIN advisory, and the Code for Responsible Lending (CRL).

We shall come out with relevant documents like moratorium opt form along with terms & conditions, revised repayment schedule / loan card, insurance document for extension of tenure, etc. The field employees will be responsible for implementing the relief package and collecting all relevant documents from the customers.

H. INFORMATION TO CUSTOMERS AND DISCLOSURE IN PUBLIC DOMAIN

We shall provide clear instructions to all our eligible customers on the following points;

- Extent of the moratorium.
- That the choice is with the Customer whether to opt for or against the moratorium.
- If she chooses moratorium, all unpaid instalments during moratorium period will get extended.
- Amount of interest getting accrued during the moratorium period and details of extended instalment(s) and their amounts.
- Additional life insurance premium for the extended tenure.
- That if customer chooses moratorium, she will need to pay the additional insurance premium for extension of loan tenure.
- Recognition of defaults and reporting to Credit Bureaus during and after the moratorium period
- **In short, all rights and obligations of the borrower if she chooses for or against moratorium**

I. EMERGENCY LOANS TO EXISTING CLIENTS AS A RELIEF MEASURE

The Senior Management of CIFCPL and KMP shall keep a close watch on the developments and fallouts of the virus and the resulting lockdown. We acknowledge that most of our clients will need some sort of assistance or emergency fund to resume their livelihood and regain normalcy. But there will also be unscrupulous elements trying to benefit from the situation. COVID-19 is a systemic risk event akin to Demonetization and can have a much larger impact on the microfinance industry than any of the previous systemic risk events. As such, we will explore any emergency loan to our clients in a cautious manner. Based on the urgency of the situation, the board gives its approval for the management to make changes in the current midterm loan and emergency loan product process so that if such a product is required, it can be provided to the company's existing borrowers

J. EXTENSION OF LIFE INSURANCE COVERAGE DUE TO THE MORATORIUM AND COLLECTION OF ADDITIONAL PREMIA

For all moratorium loans, we shall extend the life insurance coverage of the borrower/spouse for the extended tenure of the loan.

- The management shall take commercial quotations from insurance partners and choose appropriate partners for the additional tenure.
- The additional premium should not be higher than the pro-rata amount of the original premium paid by the client
- The additional insurance premium amount shall be recovered from the beneficiary customer

K. SEEKING MORATORIUM FROM ITS LENDERS

On seeking moratorium from lenders of CIFCPL, The Managing Director and Joint Managing Director of the Company is empowered to take such appropriate decision on a prudent basis as and when required based on liquidity position in the market, support from banks and financial institutions in extending credit facilities, and any extensions in lock down or other force majeure situations.

M. SEEKING MORATORIUM FROM ITS ASSIGNEES / PTC INVESTORS

The company's policy to extend the Moratorium to its Customers cannot be different based on the ownership of such loans (most probably within the same JLG group / Centre) and hence will have to be applied to all its customers in toto.

Accordingly, on seeking moratorium from its Assignees / PTC Investors, the company in line with its according moratorium to its customers, would like to accord the same treatment to such customers whose loans have been assigned / securitized and hence would request to its Assignee Investors through the Trustee of such instrument to accommodate such moratorium.

The aforesaid measures are expected to provide relief to borrowers facing disruption due to the COVID-19 pandemic, as well as to ensure continuity of viable businesses – which is the intent of the RBI COVID19 Circular. All provisions of this policy shall become applicable with immediate effect.

Necessary changes in the IT system and Loan Management System (LMS) shall be done immediately so as to accommodate the COVID-19 policy.

ADDENDUM TO THE EXISTING COVID -19 POLICY PURSUANT TO RBI NOTIFICATION (DOR.No.BP.BC.71/21.04.048/2019-20) FOR EXTENDING THE MORATORIUM BY ANOTHER THREE MONTHS I.E. FROM JUNE 1, 2020 TO AUGUST 31, 2020

CONTEXT

In response to the new Relief package announced by the RBI on 22nd May 2020, Chaitanya has come up with an Addendum to our original COVID relief policy (approved on 4th April 2020). This document covers our fresh policy extension of moratorium to eligible customers. It also covers policy to seek moratorium from our lenders and bankers.

A. MORATORIUM OF LOANS AND RESCHEDULING OF REPAYMENTS

CIFCPL will offer three (3) months further moratorium to approved customers, subject to following conditions:

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- Any customer can approach concerned field officer or branch manager requesting moratorium
- We will evaluate merit of each case separately and **approve moratorium on case-to-case basis**
- All approved customers will be offered further moratorium from 1st June 2020 to 31st August 2020
- All repayments falling due during the moratorium period will be rescheduled and extended further for approved customers; however, instalments that have been collected will not be rescheduled
- The concerned customer can approach us any time and request us for withdrawal of moratorium; it will again be considered on merit and decision of reversal will be taken on case to case basis
- **Any fresh loan sanctioned during 1st June to 31st August 2020 shall not be eligible for moratorium**

Chaitanya shall continue normal collections for all other customers.

B. OTHER CONDITIONS GOVERNING MORATORIUM

- ✓ The moratorium loans will not be reported as default or restructured account
- ✓ For loans under moratorium, income recognition shall continue and asset classification shall be done as per RBI guidelines
- ✓ Life insurance coverage on the moratorium loan shall be extended only if the customer pays the additional LI premium

All other terms & conditions of our original COVID policy dated 4th April 2020 shall be extended for the customers who have been approved further moratorium.

C. SEEKING MORATORIUM FROM OUR LENDERS

On seeking moratorium from lenders of CIFCPL, The Managing Director and Joint Managing Director of the Company is empowered to take such appropriate decision on a prudent basis as and when required based on liquidity position in the market, support from banks and financial institutions in extending credit facilities, and any extensions in lock down or other force majeure situations.

D. SEEKING MORATORIUM FROM OUR ASSIGNEES / PTC INVESTORS

The company's policy to extend the Moratorium to its Customers cannot be different based on the ownership of such loans (most probably within the same JLG group / Centre) and hence will have to be applied to all its customers in toto.

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