

**Vridhi Finserv Home Finance Limited (VFHFL)
(formerly Vridhi Finserv Limited)**

**CO-LENDING POLICY
Version V1.0**

Approving Authority	Board of Directors
Reviewing Authority	Compliance Department
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I. Introduction

Vide circular FIDD.CO.Plan.BC.08/04.09.01/2018-19 dated September 21, 2018, Reserve Bank of India (RBI) issued guidelines on Co-origination of loans by Banks and NBFCs for lending to priority sector. However, with a view to better leverage the respective comparative advantages of the Banks and NBFCs in a collaborative effort, RBI has, vide RBI/2020-21/63 FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dated November 5, 2020 issued guidelines on [Co-lending by Banks and NBFCs to Priority Sector](#) (“Guidelines”) and accordingly, has revised the existing scheme as “Co-Lending Model” (“CLM”), thus to improve the flow of credit to the unserved and underserved sector of the economy and make available funds to the ultimate beneficiary at an affordable cost considering the lower cost of funds from banks and greater reach of the NBFCs.

As per the Guidelines, all Banks and NBFCs shall frame Board approved policies for entering into the CLM and place the approved policies on their websites. Accordingly this policy on co-lending with banks (“Policy”) has been formulated by Vridhi Finserv Home Finance Limited (“VFHFL” or “Company”).

II. Policy Terms

a. Definitions

Board/BOD	shall mean Board of Directors of the Company;
Borrower	shall mean a person who is engaged in a financial transaction or activity with the Company and Co-lender, under a Co-lending Arrangement; and includes a person on whose behalf the person engaged in the transaction or activity, is acting;
Co-Lender(s)/Co-lending Bank/NBFC	shall refer to bank(s)/NBFCs with whom the Company has or intends to enter into Co-lending Arrangement;
Co-lending Arrangement	shall mean an arrangement entailing joint contribution of credit at the facility level by both the lenders as also sharing of risks and rewards;
Master Agreement/ Agreement	shall mean the business partnership agreement entered into between Company and Co-lender for undertaking Co-lending Arrangement in accordance with the provisions of this Policy;

b. Applicability

The Policy is applicable to following segments -

- Co-origination of loan with scheduled commercial banks only, excluding SFBs, RRBs, UCBs and LABs and foreign banks (including WOS) with less than 20 branches
- Lending to be made for retail mortgage assets

- Lending made to priority sector and non-priority sector as defined by RBI
- Bank to not belong to the same promoter group

In terms of the CLM, Co-Lender(s) are permitted to co-lend with VFHFL based on a prior agreement. The Co-Lender(s) will take their share of the individual loans on a back-to-back basis in their books. However, VFHFL shall retain a minimum of 20 per cent share of the individual loans on its books.

Vridhi would follow the same provisions for co-lending with NBFCs (including HFCs).

c. Execution of Master Agreement

Based on the Policy, a Master Agreement shall be entered into between the Company and Co-Lender(s) which shall inter-alia include, terms and conditions of the Co-lending Arrangement, the criteria for selection of partner institutions, the specific product lines, and areas of operation, along with provisions related to segregation of responsibilities as well as customer interface, KYC and protection issues.

The Master Agreement may provide for the Co-Lender(s) to either mandatorily take their share of the individual loans originated by VFHFL in their books as per the terms of the agreement, or to retain the discretion to reject certain loans after their due diligence prior to taking in their books.

The Master Agreement will provide representations and warranties which VFHFL shall be liable in respect of the share of the loans taken into the books by the Co-Lender(s).

The Master Agreement shall be in compliance with the Guidelines. The Master Agreement will incorporate commercial elements such as terms and conditions of the arrangement, the criteria for selection of partner institutions, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities as well as customer interface and protection issues, interest rates, sharing of sourcing and processing fees, crossing rights and revenue sharing, post disbursement servicing arrangement and fees applicable thereto etc..

d. Know Your Customer (KYC) compliance

The Company and Co-Lender(s) shall also be required to comply with the [Master Directions - Know Your Customer \(KYC\) Direction, 2016](#), issued vide RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 dated February 25, 2016 and updated from time to time, which already permit regulated entities, at their option, to rely on customer due diligence done by a third party, subject to specified conditions.

e. Co-Lender(s) mandatorily taking their share of the individual loans as originated by VFHFL

If the Agreement entails a prior, irrevocable commitment on the part of the Co-Lender(s) to take into its books its share of the individual loans as originated by VFHFL, the Co-lending Arrangement must comply with the extant guidelines on [Managing](#)

[Risks and Code of Conduct in Outsourcing of Financial Services by Banks](#) issued vide RBI/2014- 15/497/DBR.No.BP.BC.76/21.04.158/2014-15 dated March 11, 2015 and updated from time to time. In particular, the Co-Lender(s) and VFHFL shall put in place suitable mechanisms for ex-ante due diligence as the credit sanction process cannot be outsourced under the extant guidelines.

f. Co-Lender(s) retaining the discretion to certain loans subject to its due diligence

If the Co-Lender(s) can exercise its discretion regarding taking into its books the loans originated by VFHFL as per the Agreement, the Co-lending Arrangement will be akin to a direct assignment transaction. Accordingly, the taking over bank shall ensure compliance with all the requirements in terms of [Guidelines on Transactions Involving Transfer of Assets through Direct Assignment of Cash Flows and the Underlying Securities](#) issued vide RBI/2011-12/540 DBOD.No.BP.BC-103/21.04.177/2011-12 dated May 07, 2012 and RBI//2012- 13/170 DNBS. PD. No. 301/3.10.01/2012-13 dated August 21, 2012 respectively, as updated from time to time, with the exception of Minimum Holding Period (MHP) which shall not be applicable in such transactions undertaken in terms of this CLM.

The MHP exemption shall be available only in cases where the prior agreement between the Co-Lender(s) and VFHFL contains a back-to-back basis clause and complies with all other conditions stipulated in the guidelines for direct assignment.

g. Interest Rate

The ultimate Borrower may be charged an all-inclusive interest rate as may be agreed upon by both the lenders conforming to the extant guidelines applicable to both.

Upon repayment, the interest shall be shared between VFHFL and the Co-Lender(s) in proportion to their share of credit and interest.

h. Customer servicing and related issues

VFHFL shall be the single point of interface for the customers. Suitable consent in this regard must be taken from customers. In case of Co-Lending Arrangement with NBFCs, the agreement may provide for the Point of Interface.

The extant guidelines relating to the customer service and fair practices code and the obligations enjoined upon the Co-Lender(s) and VFHFL therein shall be applicable mutatis mutandis in respect of loans given under the Co-lending Arrangement.

VFHFL should be able to generate a single unified statement of the customer, through appropriate information-sharing arrangements with the Co-Lender(s).

i. Grievance Redressal

With regard to grievance redressal, suitable arrangement must be put in place by the Co-lenders and VFHFL to resolve any complaint registered by a Borrower with VFHFL within 30 days, failing which the Borrower would have the option to escalate the same

with the concerned Banking Ombudsman/Ombudsman for NBFCs or the Customer Education and Protection Cell (CEPC) in RBI.

j. Escrow Account

The Co-Lender(s) and VFHFL shall each maintain individual Borrower's account for their respective exposures.

However, wherever applicable, transactions (disbursements/repayments) between the Co-Lender(s) and VFHFL relating to CLM can be routed through an escrow account maintained with the banks, in order to avoid inter-mingling of funds. If applicable, the Master Agreement shall clearly specify the manner of appropriation between the co-lenders.

k. Monitoring & Recovery

The Co-lenders shall establish a framework for monitoring and recovery of the loan, as mutually agreed upon in the Master Agreement.

The loans under the CLM shall be included in the scope of internal/ statutory audit within the Co-Lender(s) and VFHFL to ensure adherence to their respective internal guidelines, terms of the agreement and extant regulatory requirements.

l. Security & Charge creation

The Company and Co-Lender(s) shall arrange for creation of security and charge as per mutually agreeable terms.

m. Provisioning & Reporting requirement

VFHFL shall adhere to the asset classification and provisioning requirement, as per the regulatory guidelines applicable including reporting to Credit Information Companies (CICs), under the applicable regulations for its share of the loan account.

n. Assignment

Any assignment of a loan by Co-lender or VFHFL to a third party can be done only with the consent of the other lender.

o. Business Continuity Plan

Co-Lender(s) and VFHFL shall implement a business continuity plan to ensure uninterrupted service to their Borrowers till repayment of the loans under the co-lending agreement, in the event of termination of Co-lending Arrangement between the co-lenders.

p. Approving Authority for Co-lending Arrangement

The Co-Lending Arrangement between the Company and the Co-Lender(s) shall be approved by MD and COO/CFO.

Deviation from the Policy

The Policy shall be always complied with by the Company. Any deviation from the Policy shall be only after due approval of MD and COO/CFO.

q. Policy implementation

VFHFL shall place the Board approved policies for entering into the CLM on its website.

The Managing Director (MD) is authorized to take appropriate decisions and actions in the effective implementation of the Policy.

r. Review and Amendments

The Board reserves the power to review and amend this Policy from time to time. All provisions of this Policy would be subject to revision or amendment in accordance with the applicable law as may be issued by relevant statutory, governmental, or regulatory authorities, from time to time.

s. Change Control Record

Version No.	Change Request by	Memorandum of Change	Approval date