

INTEREST RATE POLICY

Background

The Reserve Bank of India (RBI) vide its Master Direction DNBR.PD.007/03.10.119/2016-17 dated Sep 1, 2016, had advised the Boards of NBFCs to lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.

- a) The Board of each NBFC shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium etc. and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.
- b) The interest rate, benchmark prime lending rate, and other charges applicable from time would be hosted on the website and updated from time to time.
- c) The rate of interest should be annualised rates so that the borrower is aware of the exact rates that would be charged to the account.

In compliance with the requirement of RBI and Fair Practices Code adopted by the Company, the company has outlined the following interest rate policy and Company's approach for gradation of risk with respect to Lending business.

Interest Rate Model:

- The rate of interest for the products shall be fixed considering different factors like cost of funds, tenure, asset-liability maturity mismatch, operating cost, expected credit loss, return on assets, return on equity, competition, etc.
- The product frame and the risk premium would depend on the behaviour of the portfolio/industry and internal assessment of the credit strength of the borrower.
- Fintree may offer fixed, floating and part fixed – part floating (fixed for initial period and then floating rate) rate of interest for its products. At present, it would be offering interest rate on a fixed rate basis as most of the loans are generally for 18 months to 24 months, and it is felt that interest risk can be absorbed during this period.
- Rate of interest for the products shall be reviewed at regular intervals taking into account cost of funds, market outlook, offering by competition, credit loss etc.
- Rate of interest shall be communicated to the borrowers through sanction letter, loan agreement, any other document executed between the borrower and the company.
- Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan agreement.
- Rate of interest and charges will be communicated to the borrower at the time of availing the loan. Changes, if any, in the rate of interest or charges shall be intimated to the borrower individually or displayed on the website of the company.
- The rate of interest and charges will not be standardised for all the borrowers and will be dependent on risk perceived by the management on case-to-case basis.

Gradation of risk:

The risk premium attached to the borrower shall be assessed by the management from time to time, broadly based on the following factors:

- Profile of the customer, financial strength, and market reputation of the borrower
- Nature of product, portfolio behaviour of the product, default risk in the business segment
- Ticket size of loan, tenure of loan, moratorium, historical performance of clients / or cohort of clients
- Credit bureau score
- Loan to value ratio / security cover
- Relationship with the company (existing or new)
- Nature of security / value of security
- Location delinquency and collection performance
- Secured Vs unsecured loan
- Regulatory stipulations, if any
- any other parameter relevant for the case or product

Processing Fee and other charges

In addition to the normal rate of interest, the company may also levy certain charges (like processing fee, cheque bouncing charges, pre-payment charges etc.) The details of all charges shall be mentioned in the loan agreement, or any other document executed between the company and the borrower.

Note: The Company shall not charge foreclosure charges/pre-payment penalties on all floating rate term loans sanctioned for purposes other than business to individual borrowers with or without co-applicant(s). (RBI DNBR (PD) CC.No.101/03.10.001/2019-20 dated August 2, 2019)

Penal Interest /Late payment charges

Besides normal interest, Fintree may collect penal interest/late payment charges for any delay or default in making payments of any dues. These penal interest/late payment charges for different products or facilities would be decided by the Company from time to time. The Company shall mention the penal interest in bold in the loan agreement.

Fixing of Minimum and Maximum range of interest rates, other fees, and charges

The company shall formulate range of Minimum and Maximum interest rates, other fee and charges for each product which shall comply with the regulatory framework, wherever applicable. The same shall be placed before the Credit and Risk Management Committee (CRM) for approval. The CRM shall review the same from time to time and make amendments, as may be required.

Review of the Policy

The Policy shall be placed before the CRM and the Board for review at least once a year or as may be decided by the Board.

Applicability

The policy shall be effective from the date of Approval by the Board of Directors.