



# **GODREJ HOUSING FINANCE LIMITED**

## **Co - Lending Credit Policy**

## Co-Lending Credit Policy

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## **Introduction**

Godrej Housing Finance Limited (hereinafter referred to as either “Company” or “GHL”) is an RBI registered NBFC-HFC primarily engaged in financing for secured loans viz. housing and non-housing. The Company operates out of its extensive branch network across country and has also had partnership / arrangements with other NBFCs / NBFCs-HFC and Banks for jointly extending loans to credit worthy borrowers.

Reserve Bank of India through its circular titled Reserve Bank of India (Co-Lending Arrangements) Directions, 2025 dated 6<sup>th</sup> August 2025 (Directions) had issued comprehensive revised Directions on co-lending arrangements (CLA) with the objective of providing specific regulatory clarity on the permissibility of such arrangements.

CLA refers to an arrangement, formalised through an *ex-ante* agreement, between a RE which is originating the loans (‘originating RE’) and another RE which is co-lending (‘partner RE’), to jointly fund a portfolio of loans, comprising of either secured or unsecured loans, in a pre-agreed proportion, involving revenue and risk sharing

Company intends to enter into CLAs both as an originator and / or as a partner RE in compliance with these guidelines with Regulated Entity in a compliant risk robust manner.

## **Effective Date**

This Policy shall come into effect from 01<sup>st</sup> January 2026. Any new CLA entered by the Company shall be in compliance with these guidelines. Further, any previous joint lending partnership entered by the Company shall be brought into compliance with this policy by 31<sup>st</sup> December 2025 and ensure that such partnerships shall be in compliance with these guidelines.

## **Scope & Coverage**

The Company can enter into CLA with any of Regulated Entities as defined in Paragraph 4 of the Directions for any of the lending product to meet any permitted financing activity by the Company such as but not limited to – (a) Housing Loan, (b) MSME financing, (c) Loan against Property etc. For any other type of loans which Company may wish to finance under CLA approval of Product Committee shall be required.

Company will not be extending loans sanctioned under multiple banking, consortium lending, or syndication under these guidelines.

## **Credit Policy**

Company will follow all applicable regulatory norms and will follow a prudent approach to lending under CLA. Following are the key factors which will be ensured by the Company:

### Internal limit lending proportion

The total portfolio under CLA shall be up to 35% of Company’s total loan portfolio. The limits shall be monthly reviewed by the Credit Committee. In event the portfolio comes within 90% of approved limit the total limit will be reviewed by the Board of Directors.

### Due diligence of the NBFC / HFC partner entities

The company will adhere to the following five-tiered structure to shortlist the eligible NBFCs:

- a) Vintage – The Regulated Entities should have been in operation for at least 3 years on the date of entering Co-Lending Arrangement,

- b) Size – The Regulated Entities must have a minimum Asset Under Management of Rs. 100 crores,
- c) Capitalization – Co-Lending Arrangement is only allowed with Regulated Entities shaving CRAR as per the regulatory norms,
- d) Credit Losses – Gross NPA should not exceed 3%.
- e) Credit Rating – Criteria relating to Credit Rating:
  - o CRISIL, CARE, ICRA, Ind RA, SEBI –BBB and above can be considered for Co-Lending.

The company will consider for partnership only Regulated Entities which meet the above criteria. From amongst the shortlisted entities, the Company shall have commercial discussions and deep dive analysis into their business operations and finalize the final partner.

All partner onboarding approvals to be done by CFO & COO. For any exceptions from the above-mentioned rules, approval from the -MD&CEO & CRO is required.

#### Selection of Banking Partner

Company will consider partnerships with any scheduled commercial banks with which its objectives for co-lending are met.

#### Lender wise Credit SOP

Considering that target borrower segment, product, area and mode of operations would be different for each partner, Company would frame a lender wise Credit SOP which will contain these details along with underwriting criteria. The Credit SOP shall be approved by COO, Head – Credit & Senior Policy and Senior Product member.

#### Target borrower segments

Company will target individuals and entities who show robust credit parameters for financing any of the permitted loan product. Details of target borrower segment for each CLA partner will be identified in Credit SOP.

#### Customer service & Grievance Redressal Mechanism

Customer interface including grievance redressal will be undertaken by the originating partner.

#### Fee & Charges

The fee / charges payable to the originating partner shall be commensurate to the services provided by the originating partner. The factors which will be considered while arriving at such fees shall be (a) effort undertaken to originate and maintain loans, (b) quantum of loans and (c) sharing percentage for processing fee and lifetime charges. It is clarified that such fees/ charges shall not involve, directly or indirectly, any element of credit enhancement/ default loss guarantee unless permitted otherwise by regulators.

#### Minimum Share

Company will ensure that originating partner shall retain a minimum of 10% share in the individual loans which have been originated under the CLA mechanism.

### **Operational Aspects of CLA**

#### Interest Rate & charges

Interest rate and charges as applicable to the CLA arrangement shall be decided on partner basis and be part of Co-Lending Master Agreement.

The final interest rate charged to the borrower shall be the blended interest rate which is calculated as an average rate of interest derived from the interest rates charged by respective partners. The interest rate shall be determined basis (a) internal lending policies of partners, and (b) risk profile of the same or similar borrower, weighted by the proportionate funding share of concerned partner under CLA. The interest rate mechanism is provided at Annexure I.

Any change in rates by respective Partners under CLA will be made as per their credit policy and extant regulatory norms, and they will be reflected in the updated blended rate and communicated to the borrower.

#### Transfer to Partner

Originating entity shall also ensure that it transfers the loan under CLA only to the partner entity, as per the ex-ante agreement and as specified in the KFS at the time of sanction of loan.

If the originating entity is unable to transfer the share of the exposure to the partner entity under CLA within 15 calendar days for any reason, then the loan/s shall remain on the books of the originating entity and can be transferred to other eligible lenders only under the provisions of Master Directions – Transfer of Loan Exposure, 2021 (MD-TLE).

#### Escrow Account

All transactions (disbursements / repayments) between the partners, as well as with the borrower, shall be routed through an escrow account maintained with a bank (which could also be one of the partners involved in CLA). The agreement shall clearly specify the manner of appropriation between the partners.

Originating partner involved under CLA shall comply with the prescribed norms under the Master Direction - Know Your Customer (KYC) Direction, 2016 as amended from time to time. Partner RE may rely upon the originating RE for “Customer Identification Process” as per the provisions of the said Master Directions on KYC.

#### Customer Service

Each entity shall be guided by the fair practice code and grievance redressal mechanism as applicable to them in the CLA mechanism.

#### CIC Reporting

Each partner shall adhere to the extant requirements of reporting to CICs for their share of the loan account, as per the provisions of the Credit Information Companies (Regulation) Act, 2005 and the Rules and Regulations issued by RBI therein, from time to time.

Any subsequent transfer of loan exposures originated under CLA to third parties, or any inter-se transfer of such loan exposures between partners, shall be strictly in compliance with the provisions of MD-TLE. Such transfers to a third party, however, can be done only with the mutual consent of both partners.

#### Distribution of responsibility

- Sourcing of Loans – Sourcing of loans shall be done by the Originating Partner as per the target group agreed between the parties,
- KYC (Know Your Customer) – KYC shall be done by the Originating partner as the Third-Party KYC enabler under the KYC Policy of the organization. However, if so desired the Partner RE can also conduct the KYC,
- Charge Creation – the charge on security will be created through Originating partner,
- Disbursement (Escrow) – Disbursement shall be done through an Escrow Account,

- Recovery / Maintenance of loan – recovery and all loan maintenance activities shall be undertaken by the Originating Partner. All recovery proceeds shall come to Escrow Account from which each entity shall receive its share,
- Closure of loan – the loan closure shall be done by the Originating partner.
- Escrow Account – The escrow account shall be opened in joint name of both Lender's name. Operating rights to be agreed mutually between the partners basis the SOP.

## **Documents**

Company shall execute a Co-Lending Master Agreement (CLMA) with CLA partner while entering into CLA mechanism. The CLMA shall include

- Roles and responsibilities of partners including those related to customer interface,
- Interest rate and charges applicable to the Borrower,
- An irrevocable commitment on the part of partner entity to take into its books, on back-to-back basis, its share of the individual loans as originated by the originating entity,
- Provision of a KFS where blended rate shall be incorporated in computation of annual percentage rate (APR) and disclosed to borrower,
- Ensuring that there is a commitment amongst partners that their reflected shared are reflected in the books of both partners without delay after disbursement by the originating partner to the borrower, in any case not later than 15 calendar days from the date of disbursement, failing which they will have to abide by the extant regulations,
- Business continuity plan to ensure service to the Borrowers in event of termination of relationship.

## **Accounting & Disclosures**

### Asset Classification

Each partner shall maintain a borrower's account individually for its respective share and apply a borrower-level asset classification for their respective exposures to a borrower under CLA, implying that if either of the partner classifies its exposure to a borrower under CLA as SMA / NPA on account of default in the CLA exposure, the same classification shall be applicable to the exposure of the other partner to the borrower under CLA.

Partners shall put in place a robust mechanism for sharing relevant information for asset classification on a near-real time basis, and in any case latest by end of the next working day.

### Website Disclosure

Company shall prominently disclose on their website, a list of all active CLA partners.

### Financial Disclosure

Company shall make appropriate disclosures in their financial statements, under 'Notes to Accounts', relating to necessary details of CLAs on an aggregate basis. The details shall inter alia include (a) quantum of CLAs, (b) weighted average rate of interest, (c) fees charged / paid, (d) bro ad sectors in which CLA was made, (e) performance of loans under CLA, (f) details related to default loss guarantee, if any, etc. The disclosure shall be done on quarterly/annual basis.

## **Default Loss Guarantee**

Originating partner may provide default loss guarantee up to five per cent of loans outstanding in respect of loans under CLA. Provision of such default loss guarantee shall be governed mutatis mutandis in terms of the MD-DLD as amended from time to time.

RBI has vide a circular on 08th June 2023 issued guidelines for obtaining Default Loss Guarantee. Company shall follow guidelines as below:

**Default Loss Guarantee (DLG):** A contractual arrangement, called by whatever name, between the Company, any other Regulated Entity or LSP (Lending Service Provider), under which the latter guarantees to compensate the RE, loss due to default up to a certain percentage of the loan portfolio (DLG shall not involve any actual transfer of the underlying loan exposure from the books of the Company to the books of the DLG Provider) of the Company, specified upfront. Any other implicit guarantee of similar nature linked to the performance of the loan portfolio of the Company and specified upfront, shall also be covered under the definition of DLG.

#### Due Diligence

Company will conduct a Due Diligence of the proposed DLG provider. Following factors will be considered: (a) the eligibility criteria for DLG provider, (b) nature and extent of DLG cover, (c) process of monitoring and reviewing the DLG arrangement, and (d) the details of the fees, if any, payable to the DLG provider. These factors will be decided on case to case basis by Credit Committee.

Every time Company enters into or renews a DLG arrangement, it shall obtain adequate information to satisfy itself that the entity extending DLG would be able to honour it. Such information shall include a declaration from the DLG provider, certified by the statutory auditor, on the (a) aggregate DLG amount outstanding, (b) the number of REs, (c) the respective number of portfolios against which DLG has been provided and (d) past default rates on similar portfolios.

#### Structure of DLG Arrangements

- DLG arrangement shall not act as a substitute for credit appraisal requirements and robust credit underwriting standards need to be put in place irrespective of DLG cover,
- DLG arrangements will be backed by an explicit legally enforceable contract between Company and the DLG provider. Such contract, among other things, must contain the following details: a. Extent of DLG cover, b. Form in which DLG cover is to be maintained with the RE, c. Timeline for DLG invocation, d. Disclosure requirements,
- Company shall accept DLG only in one or more of the following forms: a. Cash deposited with the RE, b. Fixed Deposits maintained with a Scheduled Commercial Bank with a lien marked in favour of the RE, c. Bank Guarantee in favour of the RE or d. Corporate Guarantee
- Company shall ensure that total amount of DLG cover on any outstanding portfolio which is specified upfront shall not exceed five per cent of the amount of that loan portfolio,
- Company shall invoke DLG within a maximum overdue period of 120 days, unless made good by the borrower before that,
- The period for which the DLG agreement will remain in force shall not be less than the longest tenor of the loan in the underlying loan portfolio.

#### **Internal Controls**

The loans under the CLA shall be included in the scope of internal audit to ensure adherence to their respective internal guidelines, terms of the agreement and applicable regulatory requirements.

Company shall implement a business continuity plan to ensure uninterrupted service to their borrowers till repayment of the loans, in the event of termination of CLA between the partners.

**Review, Modification & Changes**

- There shall be an annual review of the Policy by the Board of Directors
- Board of Directors can at any time modify or amend, either the whole or any part of Policy

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