

RESOLUTION FRAMEWORK 2.0 FOR COVID -19 RELATED STRESS

OVERVIEW

The resurgence of Covid-19 pandemic in the country and the associated containment measures adopted at local / regional levels to check the spread of the pandemic have created uncertainties and impacted the recovery process. With the objective of alleviating the potential stress to the borrowers, Reserve Bank of India (RBI), vide its notification RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22, dated May 5, 2021, announced 2.0 version of Resolution Framework for COVID-19 Related Stress.

The following guideline has been designed for Svatantra Micro Housing Finance Corporation Limited (“SMHFC”) in adherence to the above mentioned “Resolution Framework 2.0 for COVID-19-related Stress”.

PURPOSE

To offer a limited window to individual borrowers and small businesses having stress on account of Covid 19, to implement resolution plans in respect of their credit exposures while classifying the same as Standard upon implementation of the resolution plan subject to the conditions specified hereafter.

ELIGIBLE BORROWERS

- Individuals who have availed of loans and advances for business purposes and to whom SMHFC has an aggregate exposure of not more than Rs.25 crore as on March 31, 2021.
 - Borrowers who were classified as “Standard” as of 31st March 2021.
 - Borrowers who had not availed restructuring under Resolution Framework 1.0 for Covid 19 related stress.
 - Credit facilities provided by SMHFC to its’ own personnel/staff shall not be eligible for resolution under this framework.
1. The borrowers should have been affected by Covid-19 pandemic and fulfil any of the below conditions-
- i. Earnings/ income of the borrower has been reduced.
 - ii. Reduction / suspension of salary during the lockdown period.
 - iii. Job loss / closure of business.
 - iv. Increased family expenses due to Covid-19 impact.
 - v. Closure during lockdown / reduced activity of units / shops / business establishments in case of self-employed / professionals / businessmen.

INVOCATION OF RESOLUTION PROCESS

- The resolution process under this window shall be treated as invoked when SMHFC and the borrower agree to proceed with the efforts towards finalizing a resolution plan to be implemented in respect of such borrower.
- In respect of applications received by SMHFC from their customers for invoking resolution process under this window the decision on the application shall be communicated in writing to the applicant by SMHFC within 30 days of receipt of such applications.
- The last date for invocation of resolution permitted under this window is September 30, 2021.

- In case a Borrower seeks to invoke the resolution plan under this Policy, they may contact the following person:
 - **Name of the Person: Mr. Sharik Saudagar, General Manager- Collections**
 - **Contact Number: 088796 66943**
 - **Email ID: sharik.saudagar@mhfcindia.com**

FEATURES OF RESOLUTION PLAN AND IMPLEMENTATION

- The resolution plans may inter alia include.
 - Rescheduling of payments / Balance tenure.
 - Conversion of any interest accrued, or to be accrued, into another credit facility.
 - Granting of moratorium, based on an assessment of income of the borrower.
- The moratorium period, if granted, may be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan. The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years.
- The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process under this window.
- The resolution plan shall be deemed to be implemented only if all the following conditions are met:
 - all related documentation, including execution of necessary agreements between SMHFC and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being implemented;
 - the changes in the terms of conditions of the loans get duly reflected in the books SMHFC; and,
 - borrower is not in default with SMHFC as per the revised terms.

ASSET CLASSIFICATION AND PROVISIONING

- If a resolution plan is implemented in adherence to the provisions of this circular, the asset classification of borrowers' accounts classified as Standard may be retained as such upon implementation, whereas the borrowers' accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the resolution plan.
- The subsequent asset classification for such exposures will be governed by the criteria laid out in the RBI Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances or other relevant instructions as applicable to specific category of lending institutions ("extant IRAC norms").

- SMHFC shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the renegotiated debt exposure of SMHFC post implementation (residual debt).
- Half of the above provisions may be written back upon the borrower paying at least 20 per cent of the residual debt without slipping into NPA post implementation of the plan, and the remaining half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently.
- The provisions required to be maintained under this window, to the extent not already reversed, shall be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA.

CONVERGENCE OF THE NORMS FOR LOANS RESOLVED UNDER RESOLUTION FRAMEWORK 1.0 FOR COVID 19

In cases of loans of borrowers where resolution plans had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plans had permitted no moratoria or moratoria of less than two years and / or extension of residual tenor by a period of less than two years, SMHFC is permitted to use this window to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to maximum of 2 years.

The overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be two years. This modification shall also follow the invocation and implementation timelines as specified above.

For loans where modifications are implemented in line with above guidelines, the instructions regarding asset classification and provisioning shall continue to be as per the Resolution Framework – 1.0.

DISCLOSURE AND CREDIT REPORTING –

- Lending institutions publishing quarterly financial statements shall, at the minimum, make disclosures as per the format prescribed in Annexure in their financial statements for the quarters ending September 30, 2021 and December 31, 2021.
- Lending institutions that are required to publish only annual financial statements shall make the required disclosures in their annual financial statements, along with other prescribed disclosures.
- The credit reporting by SMHFC in respect of borrowers where the resolution plan is implemented under this window shall reflect the “restructured due to COVID19” status¹ of the account.

GRIEVANCE REDRESSAL MECHANISM –

In case of any grievance or complaint by Borrower who has requested for resolution under the window and / or is undergoing resolution under the window provided under this Policy, the Borrower may –

- i. Personally, approach or send written communication to the Customer Service Department at the Registered Office of the Company, and/ or
- ii. Email at customerservices@mhfcindia.com, and/or
- iii. Call our Toll-Free number **1800 1234 427**, as the case may be.

ANNEXURE

Format for disclosures to be made in the quarters ending September 30, 2021 and December 31, 2021

Format A

Sl. No	Description	Individual Borrowers		Small businesses
		Personal Loans	Business Loans	
(A)	Number of requests received for invoking resolution process under Part A			
(B)	Number of accounts where resolution plan has been implemented under this window			
(C)	Exposure to accounts mentioned at (B) before implementation of the plan			
(D)	Of (C), aggregate amount of debt that was converted into other securities			
(E)	Additional funding sanctioned, if any, including between invocation of the plan and implementation			
(F)	Increase in provisions on account of the implementation of the resolution plan			

Format - B

Type of borrower	(A)	(B)	(C)	(D)	(E)
	Number of accounts where resolution plan has been implemented under this window	exposure to accounts mentioned at (A) before implementation of the plan	Of (B), aggregate amount of debt that was converted into other securities	Additional funding sanctioned, if any, including between invocation of the plan and implementation	Increase in provisions on account of the implementation of the resolution plan
Personal Loans					
Corporate persons*					
Of which, MSMEs					
Others					
Total					

Format - C

Format for disclosures to be made half yearly starting September 30, 2021					
Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal Loans					
Corporate persons*					
Of which MSMEs					
Others					
Total					