

MICRO HOUSING FINANCE CORPORATION (“MHFC”) – FAIR PRACTICES CODE

This Code has been formulated by Micro Housing Finance Corporation Limited (“MHFC”), the “company”, pursuant to the Guidelines issued by the National Housing Bank (“NHB”) on Fair Practices Code for Housing Finance Companies vide its circular NHB/ND/DRS/PoI-No.16/2006 dated September 05, 2006, further revised by its circulars NHB/ND/DRS/PoI-No.34/2010-11 and NHB (ND)/DRS/PoI-No.38/4673/2010-11 This amended Code has come into force from June 14, 2011.

Objectives

- To promote good and fair practices by setting minimum standards in dealing with customers.
- To increase transparency so that the customer can have a better understanding of the services expected.
- To promote a fair relationship between the company and the customer.
- To encourage market forces, through fair competition, to achieve higher operating standards.
- To foster confidence in the housing finance system overall.

Application

- To be applicable to all persons offering the Products and Services of the company as an employee or otherwise in any manner and / or by any mode.
- The Code is applicable under normal operating environment except in the event of any force majeure.
- The Code is based on ethical principles of integrity and transparency and all actions and dealings will follow the spirit of the Code.

Commitment to Customers

- The company will to the best of its ability, act fairly and reasonably in all dealings with the customer, meeting ethical principles of integrity and transparency and always following the relevant laws and regulations in letter and in spirit.
- The company will make sure that all its products and services are explained to its customers:
 - It will have literature in multiple languages (English, Hindi, vernacular) and also make sure that is clear and not misleading;
 - Its loan officer (“LO”) will be the first point of contact for all the queries of the customer; and contact information will be posted on the company’s website;
 - The LO will help customers understand the terms and conditions, applicable interest rate / service charges and also the benefits that can be availed along with their financial implications.
- The company will maintain a close relationship with the customer, and keep them informed of the products and services and the changes in interest rates, charges or terms and conditions.
- The company will handle customer complaints promptly and help its customers in taking complaints forward if not satisfied. It will deal quickly with things that go wrong by correcting the mistakes promptly and reversing the charges to the customer. It will also provide suitable alternatives in case of technological failure.
- The company will treat all customer information as private and confidential unless required by law or if waivers have been signed by the customer.
- The company will provide a copy of this Code, at request, to the customer. The Code will also be made available on its website and at its head and satellite offices.
- The company will not discriminate on the basis of age, race, caste, gender, marital status, religion or disability unless specific to schemes promoted by the NHB to assist weaker sections of society.

Advertising, Marketing and Sales

MHFC will:

- a. Ensure that all advertising and promotional material is clear, and not misleading.
- b. In any advertising in any media and promotional literature that draws attention to a service or product and includes a reference to an interest rate, MHFC will also indicate whether other fees and charges will apply and that full details of the relevant terms and conditions are available on request.
- c. MHFC will provide information on interest rates, common fees and charges by putting up notices in its branches; through telephone or help-lines; on the company's website; through designated staff / help desk; or providing service guide / tariff schedule. If MHFC avails of the services of third parties for providing support services, MHFC will require that such third parties handle customer's personal information (if any available to such third parties) with the same degree of confidentiality and security as MHFC would.
- d. MHFC may, from time to time, communicate to customers various features of their products availed by them. Information about its other products or promotional offers in respect of products / services may be conveyed to customers only if he has given his consent to receive such information / service either by mail or by registering for the same on the website or on customer service number.
- e. Prescribe a code of conduct for Direct Selling Agencies (DSAs), if used, to market products / services, which amongst other matters will require them to identify themselves when they approach the customer for selling products personally or through phone.
- f. In the event of receipt of any complaint from the customer that MHFC's representative / courier or DSA has engaged in any improper conduct or acted in violation of this Code, appropriate steps will be initiated to investigate and to handle the complaint and to make good the loss.

Loans

Applications for loans and their processing

- a. Loan application forms will include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other HFCs can be made and informed decision can be taken by the borrower. The loan application form will give an indicative list of documents, required to be submitted with the form. Given the nature of MHFC's target audience, who are mainly from the informal sector and may not have normal documentation (esp to prove incomes), MHFC may conduct personal checks in lieu of documentation.
- b. MHFC will have a system of giving an acknowledgement for receipt of all loan applications.

Loan appraisal and terms/conditions

- a. Normally all particulars required for processing the loan application will be collected by MHFC at the time of application or at the time of personal verification conducted by MHFC (especially in the case of customers from the informal sector). In case MHFC needs any additional information, the customer will be told that he would be contacted immediately again.
- b. MHFC will convey in writing to the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with all terms and conditions including annualized rate of interest, method of application, EMI Structure, prepayment charges and keep the written acceptance of these terms and conditions by the borrower on its record.
- c. MHFC will furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to every borrower at the time of disbursement of loans.

Fees and Charges

- a. All information about fees / charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned / disbursed, prepayment charges if any, penalty for delayed payment if any, or any other matter which affects the interest of the borrower will be disclosed to the applicant by the LO at time of application and will also always be printed on the MHFC Sanction Letter. However, MHFC shall reserve the right to change fees and charges from time to time based on market conditions, customer track record etc. Any changes to the basic charges will be communicated fully and transparently to all customers.
- b. MHFC requires that all fees (currently an Application Fee to be paid at the time of submission of loan application form, and a Processing Fee to be paid at the time of acceptance of MHFC sanction letter) are generally to be paid by the Applicant either through a cheque or a demand draft. Only in exceptional cases, MHFC may permit the applicant to pay fees in cash.
- c. MHFC's current policy is not to levy any prepayment charges, commitment charges, charges for interest certificates, or charges for any other out of pocket expenses. However, MHFC will charge customers late payment & ECS / cheque bouncing charges.
- d. MHFC's objective is to support applicants own a primary residence, and the loan is not intended to help investment or speculative buyers. Thus, MHFC shall reserve the right to change the terms and conditions of the loan including but not limited to a 2% increase in the rate of interest and an enhancement in customer's own contribution, if customers do not move into the property being purchased from the loan being sanctioned by MHFC within three months of possession,

Communication of rejection of Loan Application

If MHFC cannot provide the loan to the customer, it will communicate in writing the reason(s) for rejection.

Disbursement of loans including changes in terms and conditions

- a. Disbursement will be made in accordance with the disbursement schedule given in the Loan Agreement/Sanction Letter or per the Agreement for Sale which covers terms of payment by the customer and the builder (in the case of under construction properties) which would need to be confirmed and accepted by MHFC.
- b. MHFC will give notice to the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges, other applicable fee/ charges etc. MHFC will also ensure that changes in interest rates and charges are effected only prospectively.
- c. If such change is to the disadvantage of the customer, he/she may within 60 days and without notice close his account or switch it without having to pay any extra charges or interest.
- d. Decision to recall / accelerate payment or performance under the agreement or seeking additional securities, will be in consonance with the loan agreement.
- e. MHFC will release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim MHFC may have against the borrower. If such right of set off is to be exercised, the borrower will be given notice about the same with full particulars about the remaining claims and the conditions under which MHFC is entitled to retain the securities till the relevant claim is settled /paid.

Guarantors

When a person is considering being a guarantor to a loan, he will be informed about

- a. his liability as guarantor;
- b. the amount of liability he will be committing himself to the company;
- c. circumstances in which MHFC will call on him to pay up his liability;
- d. whether MHFC has recourse to his other monies in the company if he fails to pay up as a guarantor;
- e. whether his liabilities as a guarantor are limited to a specific quantum or whether unlimited; and
- f. time and circumstances in which his liabilities as a guarantor will be discharged as also the manner in which MHFC will notify him about this.

MHFC will keep him informed of any default on the loan by the borrower to whom he stands as a guarantor.

Privacy and Confidentiality

All personal information of customers will be treated as private and confidential (even when the customers are no longer customers), and will be guided by the following principles and policies. MHFC will not reveal information or data relating to customer accounts, whether provided by the customers or otherwise, to anyone, including other entities in MHFC's group, other than in the following exceptional cases:

- a. If the information is to be given by law;
- b. If there is a duty towards the public to reveal the information;
- c. If MHFC's interests require them to give the information (for example, to prevent fraud) but it will not be used as a reason for giving information about customer or customer accounts (including customer name and address) to anyone else, including other companies in the group, for marketing purposes;
- d. If the customer asks MHFC to reveal the information, or with the customer's permission;
- e. If MHFC is asked to give a reference about customers, it will obtain his written permission before giving it;
- f. The customer will be informed the extent of his rights under the existing legal framework for accessing the personal records that MHFC holds about him;
- g. MHFC will not use customer's personal information for marketing purposes by anyone including MHFC unless the customer specifically authorizes MHFC to do so.

Credit reference agencies

- a. When a customer opens an account, MHFC will inform him that it will pass his account details to credit reference agencies and MHFC will make checks with them.
- b. MHFC may give information to credit reference agencies about the personal debts the customer owes them if:
 1. the customer has fallen behind with his payments;
 2. the amount owed is in dispute; and
 3. the customer has not made proposals that MHFC is satisfied with, for repaying his debt, following MHFC's formal demand.
- c. MHFC will give credit reference agencies other information about the customer's account if the customer has given them his permission to do so.
- d. A copy of the information given to the credit reference agencies will be provided by MHFC to a customer, if so demanded.

Collection of Dues

Whenever loans are given, MHFC will explain to the customer the repayment process by way of amount, tenure and periodicity of repayment. However if the customer does not adhere to the repayment schedule, a defined process in accordance with the laws of the land will be followed for recovery of dues. The process will involve reminding the customer by sending him notice or by making personal visits and / or repossession of security if any.

MHFC's collection policy will be built on courtesy, fair treatment and persuasion, and will be aimed at fostering customer confidence and a long-term relationship. MHFC's staff or any person authorized to represent it in collection of dues and / or security repossession will identify himself and display the authority letter issued by MHFC and upon request, display his identity card issued by MHFC or under authority of the company. MHFC will provide customers with all the information regarding dues and will endeavor to give sufficient notice for payment of dues.

All the members of the staff or any person authorised to represent MHFC in collection and / or security repossession will follow the guidelines set out below:

- a. Customers will be contacted ordinarily at the place of his choice and in the absence of any specified place at the place of his residence and if unavailable at his residence, at the place of business / occupation.
- b. Identity and authority to represent MHFC will be made known to the customer at the first instance.
- c. Customer's privacy will be respected.
- d. Interaction with the customer will be in a civil manner.
- e. MHFC's representatives will contact customers between 0800 hrs and 1900 hrs, unless the special circumstances of the customer's business or occupation require otherwise.
- f. Customer's request to avoid calls at a particular time or at a particular place will be honored as far as possible.
- g. All assistance will be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- h. Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls/visits to collect dues.

Complaints and Grievances

- MHFC will make available facilities at each of its branches and offices for the customers to lodge and/or submit their complaints or grievances, if any. Alternatively, customers can contact us at 022-22660427 or email us at contact@mhfcindia.com or write to us at:
Grievance Redressal Officer
Micro Housing Finance Corporation Limited ("MHFC")
#3, Victoria Building,
SA Brelvi Rd,
Off Horniman Circle,
Fort,
Mumbai - 400 001
- If a complaint has been received in writing from a customer, MHFC will endeavour to send an acknowledgement / a response within a week. The acknowledgement will contain the name & designation of the official who will deal with the grievance. If the complaint is relayed over phone at MHFC's designated telephone helpdesk or customer service number, the customer will be provided with a complaint reference number and be kept informed of the progress within a reasonable period of time.
- After examining the matter, MHFC will send the customer its final response or explain why it needs more time to respond and will endeavour to do so within six weeks of receipt of a complaint and he will be informed how to take his complaint further if he is still not satisfied.

GENERAL

MHFC will:

1. verify the details mentioned by him in the loan application by contacting him at his residence and / or on business telephone numbers and / or physically visiting his residence and / or business addresses either directly by MHFC or through agencies appointed for this purpose, if deemed necessary by MHFC.
2. inform the customer to co-operate if MHFC needs to investigate a transaction on the customer's account and with the police / other investigative agencies, if MHFC needs to involve them.
3. advise the customer that if the customer acts fraudulently, he will be responsible for all losses on his account and that if the customer acts without reasonable care and this causes losses, the customer may be responsible for the same.
4. give the customer information about its products and services in any one or more of the following languages: Hindi, English or the appropriate local language.
5. not discriminate on grounds of sex, caste and religion in the matter of lending. However, this does not preclude MHFC from instituting or participating in schemes framed for different sections of the society.
6. process requests for transfer of a loan account, either from the borrower or from a bank/financial institution, in the normal course.

To publicise this code MHFC will:

- make this Code available on request either over the counter or by electronic communication or mail;
- make available this Code at every branch and on its website;
- ensure that staff are trained to provide relevant information about the Code and to put the Code into practice

The Board of Directors of MHFC will provide for periodic review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such reviews will be submitted to the Board of MHFC at regular intervals.