

**Mahindra Rural Housing Finance Limited  
(MRHFL)**

**Fair Practice Code**

# Contents

Description	Page No.
Objectives of the code	3
Application for Loans and their processing	3
Loan appraisal, terms/ conditions and communication of rejection of loan application	3
Disbursement of loans including changes in terms and conditions; and Release of Movable/ Immovable Property Documents on Repayment/ Settlement of Personal Loans (including Housing Loans)	4
Responsibility of Board of Directors	4
Complaints and Grievance Redressal	5
Language and mode of communicating Fair Practice Code	5
Regulation of excessive interest charged by HFCs	5
Excessive interest charged by HFCs	6
<ul style="list-style-type: none"><li>• Penal Charges in Loan Accounts</li></ul>	
<ul style="list-style-type: none"><li>• Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans (including housing loans)</li></ul>	
Advertising, Marketing and Sales	6
Guarantors	6
Privacy and Confidentiality	7
General	7

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## Fair Practice Code

This Code has been formulated by Mahindra Rural Housing Finance Limited ('the company') pursuant to the Master Direction – Non Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 issued by the Reserve Bank of India (RBI).

**1. The objectives of the code are the following:**

- Promote good and fair practices by setting minimum standards in customer dealing.
- Increase transparency so that the customers can have a better understanding of what he/she can reasonably expect of the services.
- Encourage market forces through competition to achieve higher operating standards.
- Promote a fair and cordial relationship between the customer and the Organisation, and

The following aspects form the broad guidelines and policies for the Fair Practice Code to be implemented across all branches of Mahindra Rural Housing Finance Limited (MRHFL).

The Code shall be applicable to all dealings, products, services and other offerings by MRHFL to its customers through any media or digital lending platforms (self-owned and /or under as outsourcing arrangement) across the counter over the phone, by post, through interactive electronic devices, on the internet or by any other method.

The Code is based on ethical principles of integrity and transparency and all actions and dealings shall follow the spirit of the Code.

**2. Application for Loans and their processing**

- All Communications to the borrower shall be in a language as understood by the borrower. MRHFL shall take vernacular declaration from the borrower attesting that he has understood the terms & conditions.
- MRHFL shall transparently disclose to the borrower all information about fees/ charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned/ disbursed, pre-payment options and charges, if any, penal charges for delayed repayment, if any, conversion charges for switching loan from fixed to floating rates or vice-versa if applicable, existence of any interest reset clause and any other matter which affects the interest of the borrower.  
In other words, MRHFL must disclose an 'all in cost' inclusive of all applicable charges involved in processing/ sanctioning of loan application in a transparent manner. MRHFL will ensure that these changes will be non-discriminatory.
- Loan application forms shall 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 may indicate the list of documents required to be submitted with the application form.
- The MRHFL shall devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed should also be indicated in the acknowledgement.

**3. Loan appraisal, terms/ conditions and communication of rejection of loan application**

- Normally all particulars required for processing the loan application shall be collected by the Company at the time of application. In case it needs any additional information, the customer will be told immediately that he would be contacted again.
- The Company shall convey in writing to the borrower in the vernacular language or a language as understood by 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, penal charges (if any) and keep the written acceptance of these terms and conditions by the borrower on its record.
- The Company shall mention the penal charges, which are charged for late repayment in bold in the loan agreement.
- The Company shall invariably furnish a copy of the loan agreement along with a copy of each of the enclosures quoted in the loan agreement to every borrower at the time of sanction/ disbursement of loans, against acknowledgement.
- In case of rejection of loan application, the company shall communicate in writing the reasons(s) for rejection.

**4. Disbursement of loans including changes in terms and conditions and Release of Movable/ Immovable Property Documents on Repayment/ Settlement of Personal Loans (including Housing Loans)**

- Disbursement will be made in accordance with the disbursement schedule (original / revised) given in the Loan Agreement/ Sanction Letter.
- The Company shall give notice to the borrower in the vernacular language, or a language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, penal charges (if any), service charges, prepayment charges, other applicable fee/ charges etc. Moreover, the Company shall ensure that changes in interest rates and charges are imposed only prospectively and suitable clause in this regard will be incorporated in the loan agreement.
- If such change is to the disadvantage of the customer, he/ she may within 60 days and without notice close his/ her account or switch it without having to pay any extra charges or interest.
- Decision to recall/ accelerate payment or performance under the agreement or seeking additional securities, should be in consonance with the loan agreement.
- The Company shall 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 company may have against borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which company are entitled to retain the securities till the relevant claim is settled/ paid.
- Company is required to release all movable/ immovable property documents upon receiving full repayment and closure of loan account as per the below directions to be followed by HFCs:

- a. Release of Movable/ Immovable Property Documents: The Company shall release all the original movable/ immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/ settlement of the loan account.
  - b. The borrower shall be given the option of collecting the original movable/ immovable property documents either from the branch where the loan account was serviced or any other office of the Company where the documents are available, as per her/ his preference. The borrower will have to reimburse necessary applicable charges, as applicable, incurred for delivery of documents at MRHFL office, other than the branch from where loan was availed.
  - c. The timeline and place of return of original movable/ immovable property documents shall be mentioned in the loan sanction letters issued on or after the effective date.
  - d. In order to address the contingent event of demise of the sole borrower or joint borrowers, the Company shall have a well laid out procedure for return of original movable/ immovable property documents to the legal heirs. Such procedure shall be displayed on the website of the Company along with other similar policies and procedures for customer information.
- Compensation for delay in release of Movable/ Immovable Property Documents:
    - a. In case of delay in releasing of original movable/ immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, the Company shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the Company, it shall compensate the borrower at such rate as prescribed by the regulator.
    - b. In case of loss/ damage to original movable/ immovable property documents, either in part or in full, the Company shall assist the borrower in obtaining duplicate/ certified copies of the movable/ immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated (a.) above. However, in such cases, an additional time of 30 days will be available to the Company to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).
    - c. The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

## 5. Responsibility of Board of Directors

- The Board of Directors of the company shall lay down the appropriate grievance redressal mechanism within the organization to resolve complaints and grievances. Such a mechanism should ensure that all disputes arising out of the decisions of lending institution's functionaries are heard and disposed of at least at the next higher level.
- The Board of Directors of the company shall provide for periodical 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 may be submitted to the Board at regular intervals on quarterly basis.

## 6. Complaints and Grievance Redressal

- The company shall have a system and a procedure for receiving, registering and disposing of complaints and grievances in each of its offices, including those received on-line.
- If a complaint has been received in writing from a customer, the company shall endeavor to send him/ her an acknowledgement/ response within a week. The acknowledgement should contain the name & designation of the official who will deal with the grievance. If the complaint is relayed over

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phone at company's designated telephone helpdesk or customer service number, the customer shall be provided with a complaint reference number and be kept informed of the progress within a reasonable period of time.

- After examining the matter, the company shall send the customer its final response or explain why it needs more time to respond and shall endeavor to do so within six weeks of receipt of a complaint and he/ she should be informed how to take his/ her complaint further if he/ she is still not satisfied.
- The company shall publicize its grievance redressal procedure (e-mail id and other contact details at which the complaints can be lodged, turnaround time for resolving the issue, matrix for escalation, etc.) for lodging the complaints by the aggrieved borrower and ensure specifically that it is made available on its website. The company shall clearly display in all its offices/ branches and on the website that in case the complainant does not receive response from the company within a period of one month or is dissatisfied with the response received, the complainant may approach the Complaint Redressal Cell of National Housing Bank by lodging its complaints online on the website of NHB or through post to NHB, New Delhi.

## 7. Language and mode of communicating Fair Practice Code

The Company shall put in place the Fair Practices Code with the approval of the Board. Such approved Fair Practices Code shall be made available to borrowers preferably in the vernacular language or a language as understood by the borrower and also put up on company's website, for the information of various stakeholders.

## 8. Regulation of excessive interest charged by HFCs

- The Company's Board shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradation 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. The Company shall laid down policy for penal charges (if any) with the approval of Board.
- The rates of interest and the approach for gradation of risks, and penal charges (if any) shall also be made available on the website of the companies or published in the relevant newspapers. The information published in the website or otherwise published shall be updated whenever there is a change in the rates of interest.
- The rate of interest must be annualized rate so that the borrower is aware of the exact rates that would be charged to the account.
- The borrower shall be provided a bifurcation between interest and principal of each installment as part of the initial onboarding process. Changes, if any, to the same shall be communicated as and when made.

## 9. Excessive interest charged by HFCs

The company shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges (including penal charges, if any). The company shall put in place an internal mechanism to monitor the process and the operations so as to ensure adequate transparency in communications with the borrowers.

- **Penal charges in loan accounts**

The company shall charge a penalty if any for non-compliance of material terms and conditions of loan contract by borrower. The company will not charge penalty in form of penal interest that

will be added to the rate of interest charged on advances and there will be no further capitalization of penal charges.

The company will not introduce any additional component to the rate of interest and ensure the compliance to these guidelines in both letter and spirit.

The company shall amend the existing "Policy on Interest rate, fees and other charges" to comply with these guidelines.

The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.

The penal charges will be uniform within a particular loan / product category / customer category for similar non-compliance of material terms and conditions.

The quantum and reason for penal charges will be clearly disclosed to the customers in the loan agreement, MITC, in addition to being displayed on the Company's website

The company shall inform the borrower about non-compliance of material terms & conditions of loan, instance of levy of penal charges and applicable penal charges.

- Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans (including housing loans)
  - a. At the time of sanction of EMI based floating rate personal loans, the Company will take into account the repayment capacity of borrowers to ensure that adequate headroom/ margin is available for elongation of tenor and/ or increase in EMI, in the scenario of possible increase in the external benchmark rate/ interest rates during the tenor of the loan. Following framework will be followed for the aforesaid compliance:
    - At the time of sanction, the Company shall clearly communicate to the borrowers about the possible impact of change in interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.
    - At the time of reset of interest rates, the Company shall provide the option to the borrowers to switch over to a fixed rate. The number of times a borrower will be allowed to switch during the tenor of the loan will be mentioned in the sanction letter and in the MITC provided to the customer. Further, depending upon the product availed by the customer, number of times the switch over option is made available will differ..
    - The borrowers shall also be given the choice to opt for (i) enhancement in EMI or elongation of tenor or for a combination of both options; and, (ii) to prepay, either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/ pre-payment penalty shall be subject to extant instructions.
    - All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by the Company from time to time.
    - The Company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.
    - The Company shall share / make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest / Annual Percentage Rate (APR) for the entire tenor of the loan. The HFCs shall ensure that the statements are simple and easily understood by the borrower.
    - Apart from the equated monthly instalment loans, these instructions would also apply, *mutatis mutandis*, to all equated instalment based loans of different periodicities.
    - All existing borrowers shall be communicated, through appropriate channels, intimating the options available to them.

**10. Advertising, Marketing and Sales**

The Company shall ensure that:

- All advertising and promotional material is clear, and factual.
- 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, The Company shall also indicate whether other fees and charges will apply, and that full details of the relevant terms and conditions are available on request or on the website.
- The Company shall provide information on interest rates, common fees and charges (including penal charges, if any) through putting up notices in their branches; through telephone or help-lines; on the company's website; through designated staff/ help desk; or providing service guide/ tariff schedule.
- In case of engagement of third parties for providing support services, the company shall ensure 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 the company would.
- The Company shall from time to time, communicate to customers various features of their products availed by them. Information about their other products or promotional offers in respect of products/ services, may be conveyed to customers only if he/ she has given his/ her consent to receive such information/ service either by mail or by registering for the same on the website or on customer service number/ Application form.
- The company shall apply a code of conduct for their Direct Selling Agencies (DSAs) whose services are availed to market products/ services which amongst other matters require them to identify themselves when they approach the customer for selling products personally or through phone.
- The company shall adopt the Model Code of Conducts for Direct Selling Agents (DSAs)/ Direct Marketing Agents (DMAs) as per **RBI – Master Direction** with the approval of their Board.
- In the event of receipt of any complaint from the customer that company representative/ DSA / DMA has / have engaged in any improper conduct or acted in violation of this Code, appropriate steps shall be initiated to investigate and to handle the complaint and to make good the loss.

**11. Guarantors**

The company must inform the following information to the person considering being a guarantor to a loan:

- a. his/ her liability as guarantor;
- b. the amount of liability he/ she will be committing him/herself to the company;
- c. circumstances in which company will call on him/her to pay up his/ her liability;
- d. whether the company has recourse to his/her other monies in the company if he/ she fail to pay up as a guarantor;
- e. whether his/her liabilities as a guarantor are limited to a specific quantum or are they unlimited; and



- f. time and circumstances in which his/ her liabilities as a guarantor will be discharged as also the manner in which the company will notify him/ her about this.

In case the guarantor refuses to comply with the demand made by the creditor/ lender, despite having sufficient means to make payment of the dues, such guarantor would also be treated as a wilful defaulter.

The company shall keep him/her informed of any material adverse change/s in the financial position of the borrower to whom he/ she stands as a guarantor.

## **12. Privacy and Confidentiality**

All personal information of customers, both present and past, shall be treated as private and confidential and shall be guided by the following principles and policies.

The company shall not reveal information or data relating to customer accounts, whether provided by the customers or otherwise, to anyone, including other companies/ entities in their 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 the company's interests require them to give the information (for example, to prevent fraud). However, it should 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 the company to reveal the information, or with the customer's permission.
- e. If company were asked to give a reference about customers, the company shall obtain customer's written permission before giving it.

The customer shall be informed the extent of his/ her rights under the existing legal framework for accessing the personal records that the company holds about him/ her.

The company shall not use customer's personal information for marketing purposes by anyone including HFCs, unless the customer specifically authorizes them to do so.

## **13. GENERAL**

- 13.1** The company shall refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless information, not earlier disclosed by the borrower, has been noticed)
- 13.2** In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection of the company, if any, shall be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.
- 13.3** Whenever loans are given, the company shall explain to the customer the repayment process by way of amount, tenure and periodicity of repayment. However, if the customer does not adhere to repayment schedule, a defined process in accordance with the laws of the land shall be followed for recovery of dues. The process will involve reminding the customer by sending him/ her notice or by making personal visits and/or repossession of security if any.

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- 13.4** In the matter of recovery of loans, the company shall not resort to harassment viz. persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. As complaints from customers also include rude behavior from the staff of the companies, the company shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.
- 13.5** The company shall adopt the Guideline for engaging Recovery Agents as per RBI Master Direction with the approval of Board.
- 13.6** The company shall not charge pre-payment levy or penalty on pre-closure of housing loans under the following situations:
- Where the housing loan is on floating interest rate basis and pre-closed from any source.
  - Where the housing loan is on fixed interest rate basis and the loan is pre-closed by the borrower out of their own sources.

The expression "own sources" for the purpose means any source other than by borrowing from a bank/ HFC/ NBFC and/or a financial institution.

All dual/ special rate (combination of fixed and floating) housing loans will attract the pre-closure norms applicable to fixed/ floating rate depending on whether at the time of pre-closure, the loan is on fixed or floating rate. In case of a dual/ special rate housing loans, the pre-closure norm for floating rate will apply once the loan has been converted into floating rate loan, after the expiry of the fixed interest rate period. This applied to all such dual/ special rate housing loans being foreclosed hereafter. It is also clarified that a fixed rate loan is one where the rate is fixed for entire duration of the loan.

- 13.7** The company shall not impose foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).
- 13.8** To facilitate quick and good understanding of the major terms and conditions of housing loan agreed upon between the company and the individual borrower, The company shall obtain a document containing the most important terms and conditions (MITC) of such loan in all cases in the suggestive format as per **Annex XII** of RBI Master Direction The document will be in addition to the existing loan and security documents being obtained by the company. The Company shall prepare the said document in duplicate and in the language understandable by the borrower. Duplicate copy duly executed between the company and the borrower should be handed over to the borrower under acknowledgement.
- 13.9** The Company shall display of various key aspect such as service charges, interest rates, Penal charges (if any), services offered, product information, time norms for various transactions and grievance redressal mechanism, etc. to promote transparency in the operations of company. The company shall display the important instructions on "Notice Board", "Booklets/ Brochures", "Website", "Other Modes of Display" and on "Other Issues" as per **Annex XII of RBI Master Direction**.
- 13.10** The Company shall display about their products and services in any one or more of the following languages: Hindi, English or the appropriate local language.
- 13.11** The Company shall not discriminate on grounds of sex, caste and religion in the matter of lending. Further, company shall also not discriminate visually impaired or physically challenged applicants on the ground of disability in extending products, services, facilities, etc. However, this does not preclude company from instituting or participating in schemes framed for different sections of the society.

- 13.12** To publicize the Code, company shall:
- a. provide existing and new customers with a copy of the Code;
  - b. make this Code available on request either over the counter or by electronic communication or mail;
  - c. make available this Code at every branch and on their website; and
  - d. ensure that their staff are trained to provide relevant information about the Code and to put the Code into practice.