

DMI HOUSING FINANCE



Resolution Framework 2.0 for Covid-19 Stress
Portfolio FY 2021-22

DMI Housing Finance - Resolution Framework 2.0 for Covid-19 Stress Portfolio

Approval Matrix:

	<u>Name</u>	<u>Designation</u>	<u>Signature</u>
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Prologue

Based on the resolution framework for COVID 19 related stress as declared by RBI vide Circular RBI/2020-21/16 DOR.No.BP. BC/21.04.048/2020-21 Dated 6 August 2020, Lending Institution had framed a Policy on Resolution Framework 1.0 for COVID 19 Related Stress for Personal & Corporate Borrowers.

Now RBI has re-christened the above framework as “Resolution Framework 1.0” and declared “Resolution Framework 2.0” for COVID 19 related stress for Individuals and Small Businesses vide RBI notification No RBI/2021-22/31 DOR. STR.REC.11/21. 04.048/2021-22 dated 5 May 2021. This has been declared due to the resurgence of COVID 19 pandemic in India in the recent weeks and with the objective of alleviating the potential stress to individual and small businesses.

As per the RBI guidelines, Lending Institutions have to formulate a Policy and Approach on “Resolution Framework 2.0 for COVID related stress for Individuals and Small Businesses”. Financial Institutions are permitted to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard upon implementation of the resolution plan.

Eligibility Criteria for Resolution Framework 2.0:

- Individuals who have availed of personal loans excluding the credit facilities provided by lending institutions to their own personnel/staff.
- The credit facilities to the borrower were classified as “**Standard**” by the lending institution as on March 31, 2021.
- Credit facilities provided by lending institutions to their own personnel/staff not eligible under this plan.
- Borrower accounts should not have availed of any resolution in terms of the Resolution framework-1.0, subject to exemption mentioned in Clause of “**Permissible Resolution Plan**” point **first**.
- Provided further that Borrowers is having financial stress on account of COVID 19.

Permissible Resolution Plan:

- Allowing moratorium period & extension of tenure 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, modify such plans only to the extent of increasing the period of moratorium and / or extension of residual tenor up to a maximum of 24 months. 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.
- The resolution plan may include sanctioning of additional credit facilities to address the financial stress of the borrower on account of Covid-19 who have not availed any resolution in terms of the Resolution Framework 1.0

Invocation & Implementation of Resolution Framework 2.0:

- The last date for Invocation of resolution permitted under this window is 30 Sept 2021.
- The resolution process under this window shall be treated as invoked when the financier and the borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower. In respect of applications received by the financier from borrowers for invoking resolution process, the assessment of eligibility for resolution as per the instructions contained in this policy will be completed within a reasonable period. On being satisfied with the eligibility conditions the date on which financier decide to process the application can be taken as date of invocation.
- The decision on the application (sanction/ rejection) shall be communicated in writing to the applicant by the financier within 30 days of receipt of such applications.
- The resolution plan should be finalized & implemented within 90 days from the date of invocation of resolution process.
- The decision to invoke the resolution process under this window shall be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

Assets Classification under Resolution plan:

- The eligible borrowers loan account will continue to be classified as “**STANDARD**” till the time of invocation of resolution under this plan.
- If borrower account which may have slipped into NPA between invocation & implementation may be upgraded as “**STANDARD**”, as on date of implementation of plan.
- If resolution plan is not implemented within the stipulated timelines, the asset classification will be as per the actual performance of the borrower with respect to the additional finance or rest of the credit facilities.

Provisioning:

The financial institution shall keep the provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation or 10% of the residual debt.

IRAC norms for provisioning are as follows.

- **Loss Assets** - 100% of Net book value
- **Doubtful Assets** -
 - i. Up to 1 year - 20% of Net book value

- ii. Between 1-3 years - 30% of Net book value
- iii. More than 3 years - 50% of Net book value
- **Sub-Standard Assets** - 10% of Net book Value

Reversal of Provisions:

Following are the guidelines for reversal of provisions, without slipping into NPA post implementation of resolution plan:

- i. 50% of the above provisions may be written back upon the borrower paying at least 20% of the residual debt.
- ii. Remaining 50% may be written back upon the borrower paying another 10% of the residual debt.

Credit Reporting:

The credit reporting in respect of the borrowers where resolution plan is implemented under this facility shall reflect as “**RESTRUCTURE**” status of the account. If resolution plan involves renegotiations that would be classified as “**Restructuring Under the Prudential Framework**”.

Documentation for Restructuring/Resolution Framework:

- Related agreement for restructuring as per advice by legal team should be completed in accordance with the resolution plan.
- Any financial or Collateral or other relevant document required to ascertain the viability of the borrower.

Due Diligence of Eligible Borrower:

For Salaried Profile –

- Declaration from borrower stating that the income has been affected due to Covid 19.
- Latest Bank statement of last 3 months.
- Latest Salary slip.
- In case of job loss, declaration of future cash stream to be obtained.

For Non- Salaried Profile -

- Declaration from borrower stating that the income has been affected due to Covid 19.

- Latest Bank statement of last 3 months.
- Future Cash flow assessment and acknowledge by customer.

Grievance Redressing Mechanism:

- Company already has the existing grievance redressing policy and system resolution. Any grievance arise under this window will also extended for Resolution framework 2.0.



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