

ITI Housing Finance Limited

INTEREST RATE POLICY

Name of the Policy	Interest Rate Policy
Version	1.0
Approved by	Board of Directors
Adopted on	
Next Review Date	

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I. Background:

National Housing Bank has advised that the Board of each HFC shall approve an Interest rate policy for the Company, taking into account relevant factors such as margin and risk premium charged to different categories of borrowers. The Interest rates are also required to be made available on the website of the Company. ITI housing Finance Limited has adopted an Interest Rate Policy to govern its internal rate methodology as per the prescribed guidelines. This policy would be governed by Reserve Bank of India (Housing Finance Companies) Directions, 2025, and Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025, as amended from time to time. The contents of this Policy shall stand automatically amended in case of any amendments / revisions issued by the Reserve Bank of India (“RBI”) from time to time.

II. Objective and Application of the Policy:

The objective of the Policy is to define guidelines for determining interest rates, Foreclosure and other charges, which may be applicable with respect to various loan facilities provided by the Company. This Policy shall be applicable to various loan/ credit facilities provided by the Company.

III. POLICY FOR DETERMINATION OF INTEREST RATES:

A) Benchmark Reference Rate of Interest of the Company:

A.1 The Company shall have a Benchmark Reference Rate of Interest which may be termed as ITI Housing- Reference Rate.

A.2. The Asset Liability Management Committee of the Company (“ALCO”) shall have authority to review/ revise the Reference Rate as and when deemed fit by it in accordance with the requirements prescribed by the RBI.

A.3. The Reference Rate shall be reviewed periodically by the ALCO depending on market conditions and other factors which are relevant to the Company. Based on such review, the ALCO may approve revision of the Reference Rate with further noting to Board as and when deemed necessary.

A.4. The Board/ ALCO, while fixing/ reviewing the Reference Rate, shall consider the following aspects primarily:

- (a) Cost of Borrowing/ Incremental Cost of Borrowing.
- (b) Expected Return on Equity.
- (c) Operating Cost.
- (d) Provisioning Requirements.
- (e) Other factors such as customer acquisition strategy, business objectives, market opportunities, competition etc.

A.5. The Company may sanction housing/ non-housing loans at a fixed interest rate basis or a floating interest rate basis or combined interest rate basis.

A.6. The loans on a floating rate basis shall be benchmarked to the Reference Rate of the Company.

A.7. Guidelines with respect to Reset/ Revision of Floating Interest Rate:

(a) For a loan at floating interest rate, the Company, at the time of sanction through sanction letter or any other document/channel, shall inform the borrower about the possible impact of change in reference rate on the loan leading to changes in EMI and/or tenor or both.

(b) Subsequently, any change in the EMI and/ or tenor or both aspects of the loan facility shall be communicated to the borrower through appropriate channels as and when such changes happen.

(c) On revision of the floating interest rate, the borrowers shall be given the choice to opt for:

- (i) enhancement in EMI or elongation of tenor or for a combination of both options;
- (ii) prepay, either in part or in full, at any point during the tenor of the loan subject applicable foreclosure charges/ pre-payment penalty;

(d) Further, at the time of revision of its floating interest rates, the Company shall provide option to its borrowers of switching from a floating interest rate to a fixed interest rate.

(e) The Company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.

(f) The Company shall share/ make accessible to the borrowers, through appropriate channels, statement/ information with respect to principal and interest recovered, EMI amount, number of EMIs left, annualised interest rate etc. as per the regulatory requirements.

(g) The Company shall ensure that the statements/ information provided to the borrowers are simple and understandable as much as possible.

(h) The borrower may be provided option to switch over from a floating interest rate to a fixed interest rate or vice-versa or repricing of interest rate maximum up to two times during entire tenor of the loan. If a customer opts for switching over from a floating rate to a fixed rate or vice versa or for repricing of the rate, the customer may be charged with a fee for such switching/ repricing as may be decided by the approving authority and extent statutory guidelines.

Re-set of Interest Rate of a Loan Eligible under NHB Refinance or any Government Scheme

If any Government Scheme or the NHB Refinance Scheme, which the Company may avail, prescribes some cap on interest rates to be charged to the borrowers and requires repricing of existing interest rates then the interest may be revised for the eligible pool of customers so that the benefits of such Government Scheme or the NHB Refinance Scheme are made available to such eligible borrowers.

A.8. The Reference Rate shall also act as an indicator for deciding fixed interest rates to be offered by the Company.

A.9. The Company shall compute and disclose the Annual Percentage Rate (APR) to all borrowers. The APR shall represent the annualised cost of credit, inclusive of the interest rate and all other charges associated with the loan, such as processing fees, insurance charges, legal charges, and any other applicable costs. The APR, together with a detailed amortisation schedule, shall be provided in the Key Facts Statement (KFS) and loan agreement in a language understood by the borrower. This disclosure will ensure that borrowers are fully aware of the effective cost of borrowing and can make informed financial decisions.

B) Matrix and Rationale

The Lending Rate will be different for different categories of borrowers. The lending rate will be arrived by considering the profile of the customer, Loan-to-Value (LTV) ratio, past repayment track with IHFL or any other financier, tenure of customer relationship (if any), customer segment, market reputation, future potential, overall customer yield, nature and value of primary and collateral security, subject to permissible deviations.

C) Detailed Rationale:

- Profile, the market reputation of the borrower, internal credit norms leveraging traditional approaches like Bureau performance as well as alternative data sources,
- Inherent nature of the product, type/nature of the facility, refinance avenues, whether the loan is eligible for bank financing, loan to value of asset financed,
- Tenure of relationship with the borrower, past repayment track record, and historical performance of our similar clients,
- Overall customer yield, future potential, repayment capacity based on cash flows and other financial commitments of the borrower,
- Nature and value of primary and secondary collateral/security,
- Type of asset being financed, end use of the loan represented by the underlying asset,
- Interest, default risk in the related business segment,
- Regulatory stipulations, if applicable, and
- Any other factors that may be relevant in a particular case
- Tenure, quantum, repayment schedule, and structure (including proposed moratorium, if any) of the proposed loan

The rate of interest for the same tenor for different clients can be different depending upon the combination of one or more factors listed above. The Lending Rate will be derived from Reference Rate by adjusting the same for various factors as listed in point above. The Lending Rate is determined on a case to case basis and will depend upon considerations of any or all factors. The current Reference Rate and indicative Lending rate will be displayed in the website.

D) Authority to Approve Final Pricing Grid and Applicable Interest Rates:

Credit Committee of the Company shall have authority to approve range of interest rates for various type of loans and, also, interest rate applicable to any of the borrowers of the Company based on the Reference approved by the ALCO. Further, CC shall also have authority to delegate his such authority/ powers to any official of the Company. Such employees of the Company who have been accorded sanctioning

authority/delegation may approve cases with rate of interest and processing fee as per the standard pricing grid/matrix. National Sales Managers (NSMs) are authorized to approve deviations in rate of interest from standard pricing grid/matrix to the extent of 1% and Executive Director is authorized to approve deviations in rate of interest beyond 1%. Processing fee waiver/deviation up to 0.50% for housing loans and up to 1% for non-housing loans may be approved by NSMs and beyond that by Executive Director.

E) Revision to Reference Rate

The revision of interest rate and other charges would be prospective in effect and intimation of change of interest or any other charges would be communicated to the customer in a mode and manner deemed fit. The revision of rates would not be applicable in the case of fixed interest loans during the tenor of the loan.

IV. POLICY FOR PENAL CHARGES, PROCESSING FEE, PRE-PAYMENT CHARGES AND OTHER FEES/ CHARGES

The Company, from time to time, may levy various types of fees/ charges to its borrowers for processing of loans or providing different types of services or as penalty for committing default/ non-compliance with the terms and conditions of the loan by a borrower.

A. Authority to Define Various Types of Fees and Charges:

The types of various fees/ charges including Penal Charges, Processing Fee, Pre-payment Charges, Login Fee, Administrative Charges etc. and quantum of such fees/ charges which may be levied by the Company shall be decided/ reviewed with the approval of the Board of the Company. The Board may also delegate its powers to any official/Committee of the Company.

B. Levy of Penal Charges:

- To encourage borrowers for prompt and timely repayment of installments and to deter them against intentional delinquency, penal charges may be levied by the Company. Such penalty for non-compliance of terms and conditions of the loan agreement by a borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest'. The penal charges shall not be added to the rate of interest charged on the advances.
- The penal charges shall be mentioned in bold in the loan agreements.
- Such penal charges may be settled at much lower rates or waived as per the authorization/ waiver matrix approved by the Board of the Company depending on the merits of a case. The Board may also delegate his powers to any official/Committee of the Company.
- There shall be no capitalisation of penal charges. However, the Company shall have the right to apply compounding of interest in the loan account as per the terms and conditions of the loan.
- The quantum of penal charges shall be reasonable and commensurate with the noncompliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.
- 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 nonindividual borrowers for similar non-compliance of material

terms and conditions.

- The quantum and reason for penal charges shall be clearly disclosed by the Company to the customers in the loan agreement and the document containing most important terms & conditions, in addition to being displayed on the Company's website.

C. Pre-payment charges

- The Company, on pre-closure/ part-payment of the loan, may levy pre-payment/ foreclosure penalty or part- payment charges as may be decided/ reviewed with the approval of the Board of the Company, subject to the regulatory requirements applicable from time to time. The Board may also delegate its powers to any official/Committee of the Company.
- Such pre-payment/ foreclosure penalty or part- payment charges may be levied at lower rates or waived as per the authorization/ waiver matrix defined by the Board of the Company depending on the merits of a case. The Board of Directors shall delegate its authority to any official of the Company.

D. Login Fee, Processing Fee, Administrative Charges, Documentation Fee and other Charges

- The Company may charge Login Fee, Processing Fee, Administrative Charges, Documentation Fee or levy any other fee/ charges to recover the operating expenses incurred by the Company such as the expenses incurred during sourcing the loan, incentive pay-out, due diligence, credit underwriting activities, customer service etc.
- These charges shall be decided/ reviewed with the approval of the Board of the Company. The Board may also delegate its powers to any Committee/Official of the Company.

E. DISCLOSURE AND TRANSPARENCY

- The Company shall transparently disclose to borrowers all information about interest rate, 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, penalty for delayed repayment if any, conversion charges for switching loan from fixed to floating rates or vice-versa, existence of any interest reset clause and any other matter which affects the interest of the borrower.
- The Company shall provide a Key Facts Statement (KFS) in a standardised format to all prospective borrowers before loan sanction, in a language understood by the borrower. The KFS shall include the sanctioned loan amount, tenor, interest type, rate of interest, fees/charges, repayment schedule, and borrower rights. Borrower acknowledgement of the KFS shall be obtained.”
- The Company shall provide information on interest rates, common fees and charges through any one or more of the following mediums:
 - (a) Through telephone/ helplines;
 - (b) Communication through digital/ electronic mode like SMS, e-mail, WhatsApp, digital link etc.
 - (c) The Company's website.

- (d) Letters to its customers;
- (e) Putting up notices at all the Company's branches;
- (f) Through designated staff / helpdesk.

- In case of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges, other applicable fee/ charges etc., the Company shall inform the borrowers through any of the mediums stated above. All the changes in interest rates and various charges shall be effected prospectively.

V. APPROVAL AND REVIEW OF THE POLICY

The Policy shall require approval of the Board of Directors for adoption by the Company. The Policy shall be reviewed as and when required by the applicable rules and regulations or as per the Company's internal requirements.
