SAHAYYA FINSERVE

Policy on Reset of Floating Interest Rate

Document Control

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1.0	Initial Draft				

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1. Introduction

This Policy sets out the framework for reset of floating interest rates on Equated Monthly Instalment ("EMI") based loans of the Company, in compliance with the Reserve Bank of India's Responsible Business Conduct Directions. The Policy aims to ensure transparency, fairness, and effective communication to borrowers in relation to changes in interest rates and their impact.

2. Applicability

This Policy shall apply to all floating rate EMI-based loans extended by the Company, including loans linked to internal or external benchmarks, and shall be read in conjunction with the terms of the respective loan agreements.

3. Benchmark and Reset Mechanism

Sahayya Finserve employs a Floating Reference Rate (Sahayya FRR) to price its mortgage customers and for business floating rate loans. Sahayya FRR is calculated based on various factors such as the Cost of Funds of the company, fund raising cost, Liqudity/risk premium, carry on investments, opex ratio, ROA, competition benchmarking, etc, any changes to the FRR is reviewed in the Asset Liability Committee meeting and published on the website of the Company.

Changes in the benchmark rate shall be periodically transmitted to the lending rate in accordance with the Company's internal processes. Such changes may result in a revision to the EMI amount and/or the tenor of the loan, or a combination of both. The periodicity of reset (e.g., monthly, quarterly or otherwise) shall be communicated to the borrower at the time of sanction or through appropriate channels, including SMS, email, or other digital means.

4. Communication to Borrowers

At the time of sanction, the Company shall clearly communicate to the borrower the possible impact of changes in the benchmark rate on EMI and/or tenor. Upon any reset of the interest rate, including cases where there is a change applicable to a class of borrowers, the Company shall promptly communicate the impact on EMI and/or tenor through appropriate channels, including SMS, email, or other digital means.

5. Options available to the Borrower at the time of Reset

Exposure At the time of reset of interest rates, the Company shall provide borrowers with the following options:

a) enhancement or reduction of EMI with corresponding adjustment in tenor;
b) elongation or contraction of tenor with EMI remaining unchanged;
c) a combination of the above options;
d) prepayment, either in part or in full, at any point during the tenor of the loan, subject to applicable regulatory instructions; and
e) option to switch to a fixed rate for the remaining tenure, where such an option is offered by the Company.

6. Switching Between Floating and Fixed Rate

The Company may permit borrowers to switch from floating rate to fixed rate (and vice versa, where applicable), subject to such terms, conditions and charges as may be specified. The number of times such switching may be permitted during the tenure of the loan shall be as determined by the Company and communicated to the borrower at the time of sanction and/or reset.

7. Charges and Disclosure

All applicable charges, including charges for switching of loans from floating to fixed rate and any administrative or service costs, shall be transparently disclosed to the borrower in the sanction letter and loan documentation, and shall also be displayed on the Company's website. Any revision to such charges shall be communicated to borrowers appropriately.

The Company shall provide to borrowers, on a quarterly basis or through appropriate accessible channels, a statement setting out, at a minimum, the principal and interest recovered to date, the current EMI amount, the number of EMIs remaining, and the annualised rate of interest (APR) for the loan. Such statements shall be clear, simple, and easily understandable.

8. Review of Policy

This policy shall be reviewed at least once every year by the Board of Directors. The policy may also be reviewed earlier if required due to changes in regulatory requirements, the Company's business strategy, or the risk profile of the portfolio.