

Policy on EMI Moratorium

The Reserve Bank of India (“RBI”) vide its Notification No. RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated 27th March, 2020, announced certain regulatory measures to mitigate the burden of debt servicing brought about by disruptions on account of the COVID-19 pandemic and to ensure the continuity of viable businesses.

A brief synopsis of the measures available to the Company is listed below:

Rescheduling of Payments – Term Loans and Working Capital Facilities

In respect of all term loans (including agricultural term loans, retail and crop loans), all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies) (“lending institutions”) are permitted to grant a moratorium of three months on payment of all instalments viz. (i) Principal and/or interest components; (ii) bullet repayments; and (iii) Equated monthly Installments, falling due between March 1, 2020 and May 31, 2020. The repayment schedule for such loans as also the residual tenor, will be shifted across the board by three months after the moratorium period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

Since the moratorium/deferment/recalculation of the „drawing power’ is being provided specifically to enable the borrowers to tide over economic fallout from COVID-19, the same will not be treated as concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower under the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019 (“Prudential Framework”). Consequently, such a measure, by itself, shall not result in asset classification downgrade.

The asset classification of term loans which are granted relief shall be determined on the basis of revised due dates and the revised repayment schedule.

The rescheduling of payments, including interest, will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs) by the lending institutions. CICs shall ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries.

Other Conditions

The Company shall frame Board approved policy(ies) for providing the above-mentioned reliefs to all eligible borrowers, *inter alia*, including the objective criteria for considering reliefs and disclosed in public domain.

The Company shall also develop MIS on the relief provided to its borrowers which shall *inter-alia* include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted in respect of borrowers for whom the exposure is Rs. 5 crores and above.

The instructions in this Notification come into force with immediate effect. The Board of Directors and the Key Managerial Personnel and Senior Executives of the Company shall ensure that the above instructions are properly communicated down the line to all the concerned employees of the Company and clear instructions are being issued regarding their implementation.

The Company based on the above measures provided by RBI would like to propose the following relief to its loan customers:

Eligibility

The relief will be available to all customers who have their loan instalment due date falling between 1st March, 2020 and 31st May, 2020. The customers who have serviced their instalments/dues during March 2020 will be eligible for the benefit from the instalment falling due between 1st April, 2020 and 31st May, 2020.

The Company shall at the request of the borrower continue to accept collections as per the original repayment schedule.

Moratorium Period

The moratorium period offered will be for 3 months and all the future repayment schedule and the tenor of the loan will be shifted by 3 months.

Interest during the Moratorium Period

The Company will charge interest during the moratorium period at the rate the loan was originated and recover the same by structuring in the future instalments due.

Documentation

A written consent accepting the new terms of repayment shall be obtained from all the customers.

The above changes made in the Loan agreement is provided specifically to enable the borrowers to tide over the economic fallout from COVID-19. Hence the same will not be treated as change in terms and conditions of the loan agreement due to financial difficulty of the borrower and accordingly, will not result in asset classification downgrade.

Fresh ACH mandate/ PDCs based on the revision in instalment structure shall be obtained from the customers.

Miscellaneous

The above Policy will be an integral part of our existing business policies. The relevant FAQs regarding this Policy are attached as “Annexure-I”.

Dissemination of Policy

This Policy shall be disseminated to all functional and operational heads and other concerned persons of the Company and shall be hosted on the intra-net and website of the Company.

Addendum to the Policy on EMI Moratorium

In view of the extension of lockdown and continuing disruption on account of Covid-19, the Reserve Bank of India ("RBI") vide its Notification no. RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20 dated 23rd May, 2020, announced further repayment relaxations to prevent the transmission of financial stress to the real economy and to ensure the continuity of viable businesses and households.

Pursuant to the aforesaid RBI Notification, the Company has in accordance with approval granted by the Board of Directors, framed an Addendum forming part of the Policy on EMI Moratorium.

All other provisions of RBI Circulars dated 27th March, 2020 and 17th April, 2020 shall remain applicable *mutatis mutandis*.

A brief synopsis of the measures available to the Company is listed below :

Rescheduling of Payments - Term Loans and Working Capital Facilities

In respect of term loans (including agricultural term loans, retail and crop loans), all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, All-India Financial Institutions, and NBFCs (including housing finance companies) ("lending institutions") are permitted to extend the moratorium on payment of instalments by another three months i.e. from June 1, 2020 to August 31, 2020. Accordingly, the repayment schedule for such loans as also the residual tenor, will be shifted across the board by another three months. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

Asset Classification

As the moratorium/deferment is being provided specifically to enable borrowers to tide over COVID-19 disruptions, the same will not be treated as changes in terms and conditions of loan agreements due to financial difficulty of the borrowers and, consequently, will not result in asset classification downgrade.

In respect of accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted in respect of term loans, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under the IRAC norms. Consequently, there would be an asset classification standstill for all such accounts during the moratorium/deferment period from March 1, 2020 to August 31, 2020. Thereafter, the normal ageing norms shall apply.

The Company based on the above measures imparted by RBI would like to propose the following relief to its loan customers

Eligibility

The Company will provide the relief of extension of moratorium to the customers to whom the moratorium was given earlier for the loan instalments falling due between 1st March 2020 and 31st May 2020.

Half Yearly repayment frequency loans having instalment dues in June/ July/ August will also be offered 3 months moratorium. These customers were not having instalment dues in the month of March, April, May and hence were not covered earlier.

The Company will not offer moratorium to customers who had opted out of it earlier. If any of these customers apply for moratorium, they will be dealt with on case to case basis.

The Company reserves the right, at its discretion, to extend the moratorium on selective basis.

Moratorium Period

The extended moratorium period will be for 3 months taking the total moratorium period to 6 months. The repayment schedule and the tenor of the loan will be accordingly shifted by another 3 months.

Interest during the Moratorium Period

The company will charge interest during the moratorium period at the rate the loan was originated and recover the same by structuring in the future instalments due.

Securitisation

In case of securitised loans, prior approval of the investors will be required for providing the extension relief to the eligible customers as per the terms of securitisation.

Deposition of PDC's & ACH Instruction during Moratorium period

The company will not deposit the PDC's and ACH of any customer during the moratorium period. However if a customer approaches the company for payment towards instalment due during the moratorium period, the Company will accept the payment and waive any interest charged after the receipt of the instalment.

Adjustment of instalments collected during Moratorium period

The instalments collected during the moratorium period, from the loan accounts under moratorium, will be parked in a separate account. The Company will accrue interest on this amount in the same account till the maturity of the loan at the respective loan rate. This account balance, for the respective loans, will be adjusted against instalments built with interest on account of moratorium at the end of the loan tenure.

Documentation

The Company as a part of its Internal Controls will put in place a mechanism to inform the customers of the revised due dates of their loan instalments post moratorium during the moratorium period.

Fresh ACH mandate/ PDC's for the extended instalments to be obtained from the customers.

Frequently Asked Questions (FAQs) on EMI Moratorium

RBI issued a policy statement on 27th March, 2020, announcing certain regulatory measures to mitigate the debt-servicing burden on borrowers in view of the disruptions brought out by the current situation. As a follow up, RBI issued a circular DOR.No.BP.BC.47/21.04.048/2019-20, dated 27th March, 2020, detailing the instalment moratorium guidelines. Further, RBI issued a circular DOR.No.BP.BC.71/21.04.048/2019-20 dated 23rd May, 2020 in which it permitted to extend moratorium for another 3 months i.e. for the period 1st June to 31st Aug 2020.

This document attempts to provide clarity regarding the moratorium benefit by answering some Frequently Asked Questions (FAQs).

1. What is the EMI moratorium provided for loans under COVID 19 - regulatory package?

In a moratorium, your EMIs will be deferred. This means that during the moratorium period, no payment has to be made by the customer to MMFSL. Interest on the EMIs will keep accruing for the customer during this period and will be payable after the moratorium period with the deferred instalments.

In the 2nd round of moratorium, all instalments falling due in June, July and August will also be deferred by 3 months. So in total, moratorium covers 6 months period, i.e., from 1st March to 31st August, 2020.

2. Who is eligible for moratorium?

All eligible customers will be contacted by Mahindra Finance by way of text message (SMS) on their registered mobile number. As per policy, loans approved till 31st March, 2020 with due dates falling in the moratorium period are eligible. In case of clarification, please contact Mahindra Finance representative.

3. Is moratorium a waiver of EMIs?

No, a moratorium is not waiver of EMIs. Customers will need to pay the entire principal with interest back to MMFSL. Customers just have the option of not paying during the moratorium period.

4. What is the benefit of availing the moratorium?

During this difficult period, cash flows of some customers have been affected and they might not have enough capital available to pay their EMIs. Such customers should avail this

moratorium. If a customer has sufficient cash flow to meet his needs and service the EMIs also, should pay his EMI regularly to avoid the accruing interest charges.

5. Would interest be charged in the moratorium period?

Yes, interest will be charged at the contractual interest rate on outstanding amount.

6. Is the moratorium mandatory for all customers?

No, customers can pay the EMIs regularly on due dates basis which no interest will be charged to the customer and the contract will be governed as per originally agreed terms.

7. If a customer avails moratorium, then will it impact credit score?

No, it will not impact the credit score of the customer. As per the released regulation, the rescheduling of payments will not qualify as a default in customer's credit bureau report.

8. If a customer has overdue on EMIs before start of moratorium period, will that attract penal charges?

Yes. The moratorium is provided for EMIs due in the moratorium period. Any overdue for EMIs which were due before moratorium period will attract penal charges and no relaxation is given on that. However, for the EMIs due in the moratorium period, no penal charges will be charged and repayment will be modified as per the communication sent out to customer.

9. Customer opted to pay the EMI but still his PDC was not presented for deduction on due date. Why did that happen and what to do?

Because of lockdown, containment zones/ sealed areas might affect operations of MMFSL and hence PDC might not have been presented. Customers are encouraged to use MMFSL customer app to make the payment online. If not, then the PDC will be presented as soon as offices open. No penal charges will be levied for such cases.

If restrictions are lifted, but still PDC is not presented, please contact MMFSL representative immediately.

10. Customer's repayment mode is Cash but nobody collected it from customer on due date. Why did this happen and what to do?

Because of lockdown, containment zones/ sealed areas might affect operations of MMFSL branches. In such a case, after restrictions are lifted, customer can visit MMFSL branch office or can ask the representative to come for collection. No penal charges will be levied if payment is done within seven days (7 days) of restrictions being lifted.

11. Can a customer avail moratorium for multiple loans?

Yes, the customer can avail moratorium for all eligible loans.

12. How exactly will customer's repayment schedule change?

Customer's tenure of loan will get extended by the no. of months moratorium is availed. For example: If a customer takes 3 months moratorium now, then the tenure will get extended by three months and customer will pay his regular EMI amount in those months. Plus, the customer will also need to pay the interest which gets accrued due to the moratorium. The exact details will be sent out to the customer shortly.

13. If the customer wishes to make the payment in moratorium period, how can he do it?

All ACH payment customers can ask their MMFSL representative to bank their ACH instrument. Customers can also make use of online payment facility, deposit cash in branches or if the repayment mode is PDC, upon instructions from the customers, we will bank the cheque as soon as branches are open.

14. Customer wants to avail moratorium only for one month. Is that possible?

Moratorium is either provided for full period or not provided. Customers cannot opt for availing the moratorium partially. However, if customers wish, they can make payments during the moratorium period as well.

15. Customer who took a loan in April & May, 2020, is he eligible for moratorium for period June-Aug?

No, as per RBI circular moratorium is not available to such customers.

16. If a customer has availed moratorium in the period March-May then does he have to apply again for moratorium?

No, the moratorium will be automatically extended for such customers.

17. If a customer was in NPA as on 31.3.2020 and has repaid his instalments afterwards, can such customer apply moratorium now?

No, such a customer cannot avail moratorium now as he/ she was originally ineligible for moratorium.

----- END OF DOCUMENT-----