



RURAL HOUSING FINANCE PRODUCT & POLICY

STAR HFL

VERSION 1.0

Rural Housing Finance Product & Policy

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1. Product mix concept for Star HFL

Housing finance companies are facing tough competition due to the inclination of mainstream HFCs and banks towards the affordable housing segment and funding at a lower rate by taking business calls on income and property parameters HFCs recently received COR are also intended to focus on the affordable housing segment due to high returns.

We at Star HFL want to create a quality portfolio at a weighted **ROI of 16 %** and also to have a presence in the builder's and high income net worth segments and thus we need to have **product mix with multiple lines with pricing mix concepts**. Product mix, also known as product assortment, refers to the total number of product lines a company offers to its customers. We being HFC, **pricing** is a critical element for us and we must need to have a pricing mix as well.

Being HFC, our product mix is the most important part of developing our marketing strategy. In the current competitive scenario of the housing finance market it is essential for us to have multiple products for the targeted affordable housing segment. Selling a variety of financial products helps us increase our sales and profit potential and would reduce our dependency on a conservative housing product and policy.

Pricing Matrix - Suggested pricing mix is ranging between 14% to 24% and weighted average ROI to be maintained minimum 16 percent.

Lower ROI ranging 14-15% suggested only for builder's tie up and documented income customers.

High ROI ranging 16-17.50% suggested for semi urban and urban properties- currently we are doing it

High ROI ranging 18-24% (to be offered basis on documented and undocumented income profiles and consideration of agriculture income) suggested for rural housing properties. Rajasthan, MP, Gujarat, and TL are potential markets for rural housing finance at higher ROIs.

How To Maintain Weighted Average ROI Of 16%- Branches need to funding at least 30 % of monthly disbursement portfolio at higher ROI 18-24 % and 30 % at 16-17.50 % and 40 % at 14-15 % as to maintain average weighted ROI of 16 %. However branches are having free hands to maintain weighted average of ROI above 16 percent if they want to be focused more on rural housing finance.

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PRODUCT MIX - WEIGHTED AVERAGE ROI TO BE MAINTAINED AT 16%

SN	PRODUCTS	POLICY	ROI	REMARKS
1	Rural Housing-properties situated at gram Panchayat areas	Credit underwriting norms as per existing credit policy. Special provisions to be complied	HL ROIs- 18-24 % ROI to be charged based on income profile and deviations to be taken on income and property aspects.	Please refer rural housing product
2	Urban and semi urban Housing (Normal Product)- properties situated in city and outskirts areas	Credit underwriting norms as per existing credit policy.	HL ROIs- 16- 17.50 % ROI to be charged based on income profile and deviations to be taken.	We are currently funding in this customer's segment
3	Builder's Tie ups Individual Buyers	Credit underwriting norms as per existing credit policy.	HL ROIs- 14-15 % ROI to be charged based on income profile and deviations to be taken.	Builder's projects would be recommended by Regional heads and ROI tie up would be approved by MD
4	High income group customers	Credit underwriting norms as per existing policy- minimum monthly income Rs. 25 k plus	HL ROIs- 14 -15 % ROI to be charged based on income profile and deviations to be taken.	Minimum monthly income 25k and only documented income to be considered.

Note - for maintaining weighted average of 16 % branches need to first create high ROIs portfolio and then move for lower ROIs. Regional heads are required to watch on weighted average ROIs on monthly basis and they are responsible and accountable for maintaining weighted average. Credit and ops teams of corporate office will be responsible to watch and maintaining the weighted average ROI.

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PROGRAM - FUNDING FOR CUSTOMERS HAVING PROPERTIES IN RURAL AREAS.

BACKGROUND - The shortage of housing across the country is being increasing every year. Housing Shortage Will Increase to 70 Million by Year 2020. We need around 40 million houses in rural areas only. 47 % existing houses in rural areas are having Kaccha roofs and 90 % houses are toilet less. The gap of demand and supply is too big and FIs cannot fill it. Government also looks to provide the much needed boost to rural housing.

COVERAGE - This program is intended to funding in rural areas properties situated in Gram Panchayat jurisdiction.

PRODUCT - Micro home loans for the purpose of purchase, Constructions, extension, improvement, composite loan.

PRODUCT FEATURES - property to be situated in villages those are fitting within the norms.

LOCATIONS - All branches

SANCTIONS - as per existing set up and credit policy norms.

RISK FACTOR AND MITIGATION - following is the risk factors:

- Resale of mortgaged properties in case of default.
- Properties are situated in villages those are normally at far distance from the hub location.

RISK MITIGATES:

- Low ticket size Loans.
- Limited exposure of portfolio.
- LTV restricted to 50 % of Property value including land value.
- Loan tenure is ranging between 3-7 years.
- High ROI to be charged.
- Collections staff to be hired in all branches for effective follow ups.
- Selected customer's profiles are to be considered.
- Locations selected must have population not less than 3000/- as per last census.
- Proximity (of villages) to RR location 50 km and from hub location not more than 100 km.

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- Female should be Main applicant and PDCs of applicant to be taken to be utilized for recovery process.
- Connectivity of villages with national/state highway.
- Villages to be identified and recommended by unit head and approved by Regional head.
- Postal services (registered post) facility must be available in a village where to provide loan facility. Regional head to confirm it before approving the village for funding.
- Tehsil office/ police station to be located within 50 km from the approved villages.

LOCATION APPROVAL CRITERIA:

Village location - Locations selected must have population not less than 3000/- as per last census.

Geo limit from RR and hub - Proximity (of villages) to RR location 50 km and from hub location not more than 100 km.

Connectivity - the identified villages must have connectivity with national/state highway and branch staff must be comfortable to reach the villages without any hurdles.

Regional head accountability for identification and approval - Villages for funding to be identified and recommended by unit head and approved by Regional head.

Communication facility - Postal services (registered post) facility must be available in a village where to provide loan facility. Regional head to confirm it before approving the village for funding. Facility of courier services would be an additional comfort.

Administrative set up - Tehsil office/ police station to be located within 50 km from the approved villages.

Repayment culture - while identifying the villages for business sourcing branch needs to check the repayment culture of villagers. Regional Head to endorse it while approving the villages for the funding.

PRODUCT POLICY:

PARAMETERS	POLICY	
Target Segment	Salaried and self-employed - Selected profile	
Target Market	Rural areas (villages where local competent authority is Gram Panchayat) nearby RR and hub locations.	
Loan purpose/scheme	Purchase, Construction, Improvement, Extension, Land/plot purchase + constructions (, composite).	
Credit norms for loan eligibility	As per existing policy except LTV.	
LTV	LTV must not cross 50 % of total property value.	
ROI MATRIX	Income profile	Minimum ROI To Be Charged
	Documented salaried	18 % loan amount up to Rs. 10 lacs
	Un- Documented salaried	19 % (Loan amount restricted to Rs. 7 lacs only
	Documented self-employed business class customers- ITR regularly filed for last 2 years	18.50 % loan amount up to Rs. 10 lacs
	UN-DOCUMENTED (NON-ITR) - self-employed business class customers-	20 % (Loan amount restricted to Rs. 6 lacs only
	Agriculture income as additional income considered (along with salaried/ business income) for loan eligibility	21% (Loan amount restricted to 6 lacs only
	Agriculture income as primary/ base income	22- 24 % (Loan amount restricted to 5 lacs only). 22 % can be offered is LTV is low and customer is having ownership of 03 hectors agriculture land and FOIR is below 25 %.
Agriculture income calculation methodology	Copy of Land ownership documents required. Vintage of agriculture income for minimum 3 years. Details of crops (Rabi/Kharif and quantity produced, expenses of cultivation and sale value of crops, net profit etc) to be taken from customer, Supporting of crop sold and sale value received. Calculation to be done on per crop basis and net annual income to be established. Income inflow and average bank balance to be verified.	

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Minimum and maximum Loan amount	Rs. 2 lacs and Rs. 10 lacs
Sourcing	By in house sales team only
PF	2- 3 %
Tenure	36 months to 84 months. 3 years Deviation for documented salaried customers only
Technical Documents	Site Map prepared by licensee engineer and approved by GP Estimate in case of construction, extension and improvement Valuation Report (TSR) by panel technical vendor and validated by in-house team.
Legal Documents	Refer special provisions for requirement of documents. Positive legal report issued by panel advocate. Documents required by panel advocate to be obtained,
Loan documentations	As per existing policy.
Special conditions	Female member of joint family to be made as main applicant. 6 PDCs to be taken from applicant (Female) also.
Disbursement	Existing norms are applicable.

SPECIAL PROVISIONS:

FOR THE STATE OF MADHYA PRADESH – In rural areas of Madhya Pradesh where in Gram Panchayat is local competent authority; people own two kinds of properties i.e. Free hold and lease hold.

- **FREE HOLD PROPERTIES** - As regards to free hold properties there are two modes of acquisition of properties such as ownership transferred by sale and ownership inherited in case of ancestral. In case of transfer by sale we generally don't get the registered sale deed and people have bought the properties on sale agreement and got the mutated in property records of Gram Panchyat. Similarly in case of inherited properties legal heirs are not having any registered title documents and mutated their names in the records of GP. In order to avail the loans from banks and FIs, MP government has issued a circular in 2010 stating that the Tehsildar can issue ownership certificate of properties situated in Aabadi of Gram Panchayat. The process involved – Property owner would apply in tehsil office by a prescribed application form. Tehsildar would refer to revenue inspector/Patwari to get the title verified through the records. Gram Panchyat would recommend basis on their records of rights and thus finally property owner would get the ownership certificate from Tehsildar and basis on this ownership certificate Star HFL can extend loan facility by creating registered RM. Ownership certificate issue by GRAM PANCHAYAT also considerable if issue before year 2010.

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- **LEASE HOLD PROPERTIES** – Gram Panchyat was empowered to issue Patta till July 2018 and thereafter Patta can be issued by Tehsildar.

CHECK LIST OF DOCUMENTS - Gram Panchyat Properties of MP

A. FREE HOLD (ABADI AREA) – construction cases:

- Original registered sale deed with clear 13 years chain deeds or Ownership certificate by GP- issued before year 2010
- Approved Map and construction permission issued by GP
- Ownership certificate by Tehsildar after year 2010 and Approved Map and construction permission issued by GP
- Registered mortgage required

B. FOR RESALE PURCHASE CASES:

- Registered sale deed chain or Ownership certificate by GP in favor of seller - issued before year 2010
- Approved Map and construction permission issued by GP
- Ownership certificate by Tehsildar after year 2010 in favor of seller and Approved Map and construction permission issued by GP
- Registered sale deed in favor of buyer/customer.

C. PATTA PROPERTY:

- Unregistered Patta issued by GP – before year 2018
- Verification of patta from GP required
- If unregistered patta – RM required
- NOC to mortgage
- Approved map and construction permission from GP

D. PATTA PROPERTY:

- Un registered Patta issued by Tehsil office /SDO
- Verification from tehsil office required
- If unregistered patta – RM required
- NOC to mortgage
- Approved map and construction permission from GP

Note – in case if patta is registered we don't need to create RM.

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Additional Documents to be obtained as per requirement of legal report of panel advocate.

FOR THE STATE OF RAJASTHAN -

PATTA PROPERTY:

- Registered Patta issued by GP
- Copy of Misaal or Patta verification from GP
- If unregistered Patta – RM required
- NOC to mortgage from GP
- Approved map and construction permission from GP

Note – in case if title is based on chain of registered sale deeds, we need to create Equitable Mortgage.

Additional Documents to be obtained as per requirement of legal report of panel advocate.

FOR THE STATE OF GUJARAT

S.No	Term	Meaning
01	Akarni	House tax Assessment issued by GP
02	Peedi Nama & Varsai Tharav	Succession Certificate issued by GP
03	Malikano Dakhilo	Ownership Certificate issued by GP
04	Raja Chitti	Construction Permission by GP
05	Chaturseemano Dakhilo	Four Boundaries Match by GP
06	Panchayat nu leno baki nathi Dakhilo	No Dues Certificate from Gram Panchayat
07	Juna Gramthal Ka Dakhila	Certificate of property in vintage possession of the customer
08	Talati/sachiv of GP	A Government body empowered to execute day to day affairs of Panchayat also known as Secretary / Sachiv

LEGAL DOCUMENTATION - FOR SELF CONSTRUCTION CASES

- Current Akarni issued by Gram Panchayat (Mandatory)
- 5 Years Old Akarni issued by Gram Panchayat (Mandatory)

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- Succession Certificate (Peedi Nama and Varsai Tharav) issued by Talati .
- Panchayat Tax Receipt for last 3 years
- Ownership Certificate (Malikano Dakhilo) issued by Talati
- Construction Permission (Raja Chitti) issued by Talati / Sarpanch - For Construction Cases
- Four Boundaries (Chaturseemano Dakhilo) document issued by Talati
- No dues Certificate (Panchayat nu leno baki nathi Dakhilo) by Talati
- Possession Proof (Juna Gramthal ka Dakhila) for last 10 years
- Registered Mortgage in favour of Star HFL
- Affidavit from customer confirming title and possession over the property
- In case of resale purchase case the seller must have above mentioned documents and finally registered sale deed in favour of buyer.
- In case if title based on registered sale deed we need to create EM only.

Additional Documents to be obtained as per requirement of legal report of panel advocate.

FOR THE STATE OF TAMILNADU

- Registered sale deed with chain of title deeds or If title acquired through ancestral property by way of partition, the sons and daughters of loan applicant should be added a party to the loan proceedings
- If title acquired Gift settlement deed. original parent deed should be obtained
- If title acquired Will deed, will should be registered and parent document should be obtained (death certificate is necessary)
- If partition deed kindly verify the genealogy tree of family and kindly confirm sons and daughters of the family
- If title acquired through court partition final decree. kindly confirm court decree should be registered
- Patta or Chita or TSLR or A -extract- Copy/Certified – where ever applicable as per legal opinion of panel advocate.
- Approved map and permission issued by Gram Panchyat.
- In case of lease hold property- lease deed issued by GP.

Additional Documents to be obtained as per requirement of legal report of panel advocate.

FOR THE STATE OF MAHARASHTRA

PATTA PROPERTY -

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- Registered Patta issued by GP
- Patta verification from GP
- If unregistered patta – RM required
- NOC to mortgage from GP
- Approved map and construction permission from GP
- In case of resale we need registered sale deed in favor of customer/buyer. Seller title to be established.

FREE HOLD PROPERTY –

- Registered title deed with chain of title documents or
- Ownership certificate issued by GP.
- Namuna 8 – records of Gram panchyat showing ownership of customer.
- Approved map and construction permission issued by GP.
- In case of resale we need registered sale deed in favor of customer/buyer. Seller title to be established.
- Copy of 7/12 extract if applicable.

Note – in case if title is based on chain of registered sale deeds, we need to create Equitable Mortgage.

Additional Documents to be obtained as per requirement of legal report of panel advocate.