

MAY 31, 2021

RESOLUTION FRAMWORK 2.0 FOR COVID-19 RELATED STRESS OF INDIVIDUALS & SMALL BUSINESS'



STAR HOUSING FINANCE LIMITED
(FORMERLY KNOWN AS AKME STAR HOUSING FINANCE LIMITED)

Covid-19 Resolution Framework 2.0

1. Based on the Resolution Framework for COVID 19 Related Stress as declared by RBI vide Circular dated 06 August 2020 and subsequent notification of RBI on Financial Parameters and benchmark / ceiling rates dated 07 September 2020, Star HFL has framed a Policy on Resolution Framework for COVID 19 Related Stress for Personal & Corporate Borrowers.
2. 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.
3. Star HFL had formulated a Policy and Approach on “Resolution Framework 2.0 for COVID related stress for Individuals and Small Businesses” and the salient features is given under:-

A. APPLICABILITY:

The following are the broad categories of borrowers to whom this policy is applicable:-

- I. Advances to individuals and small businesses who have not availed any resolution in terms of the Resolution Framework 1.0
- II. For individuals and Small Businesses, where resolution plan has been implemented in terms of the Resolution Framework 1.0 with less than 24 months of moratorium, increasing the period of moratorium / extension of residual tenor up to maximum of 24 months, subject to review of proposals with regards to eligibility and stress level in servicing of loan due to Covid-19.
- III. Working capital support for “Small Businesses” where resolution plans has been implemented in terms of the Resolution Framework 1.0. As a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by lending institutions by September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022. (Refer para 24 part B)

B. ELIGIBILITY:

- I. The following borrowers shall be eligible for the window of resolution to be invoked by the lending institutions:
 - I. Individuals who have availed of personal loans (which consists of (a) loans for consumer durables, (b) credit card receivables, (c) auto loans (other than loans

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- for commercial use), (d) personal loans secured by gold, gold jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes), (e) personal loans to professionals (excluding loans for business purposes), and (f) loans given for other consumptions purposes (e.g., social ceremonies, etc.) (g) education loans, (h) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), (g) loans given for investment in financial assets (shares, debentures, etc.). However it excludes consumption loans given to farmers under KCC
- II. Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.
 - III. Small businesses, including those engaged in retail and wholesale trade, other than those classified as micro, small and medium enterprises as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021
 - IV. Provided that the credit facilities / investment exposure to the borrower was classified as Standard by the lending institution as on March 31, 2021.
 - V. Provided further that Borrowers is having financial stress on account of COVID-19 pandemic.
 - VI. b) The following categories of borrowers / credit facilities shall not be eligible for a resolution plan under this framework
- II. The following categories of borrowers / credit facilities shall not be eligible for a resolution plan under this framework:
- a. MSME borrowers whose aggregate exposure to lending institutions collectively, is Rs.25 crore or less as on March 1, 2020 (Separate scheme notified by RBI)
 - b. Farm credit consists of:
 - i. Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers and Proprietorship firms of farmers directly engaged in Agriculture
 - ii. Loans to corporate farmers, farmers' producer organizations/companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture;
 - iii. Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture
 - iv. Exposures of lending institutions to financial service providers, including NBFCs
 - v. Exposures of lending institutions to Central and State Governments; Local Government bodies (eg. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.

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- c. Credit facilities provided by lending institutions to their own personnel/staff.

C. PROCESS OF CONFIRMING THE STRESS DUE TO COVID AFFECTING THE INCOME STREAM:

a. Personal Loans:

- i. In case of salaried persons/ pensioners: There should be a reduction in salary/ job loss etc. To ascertain this, the latest salary slips / Star HFL account details of the borrower may be verified and compared with the earlier period.
- ii. In case of Non-salaried persons: There should be a reduction in income stream. The Star HFL account details, GST return etc may be verified for this purpose.
- iii. In both the above cases, in the absence of any documentary evidence, the income loss due to COVID shall be taken on declaration basis as well.
- iv. In addition to the above, the following cases also are eligible for resolution, provided the borrower submits documentary evidence:-
 - a. If the borrower or any of his dependents are infected by COVID requiring hospitalisation and incurred substantial amount for treatment, then they are also eligible for the relief
 - b. Death of borrower / co-borrower due to COVID
 - c. Education Loan- Delay in completion of course, delay in getting employment / under employment
 - d. Housing Loan- Delay in completion of construction / possession of house/ flat due to COVID 19
- v. Customer's residence /working place/ unit for construction etc., falling in the containment area or economic activities are curbed over the period due to state notified lock-down.

b. Small Businesses:

Through any or more of the following manner:-

- vi. Star HFL statements of the individual /entity for last 6 months may be verified and compared with that of earlier period.
- vii. GST Return of the individual / entity for last 6 months may be verified and compared with that of earlier period
- viii. Self-attested Profit & Loss statement for the FY ended 31 March 2021 may be verified

D. FEATURES OF THE RESOLUTION PLAN:

I. Advances to individuals and small businesses who have not availed any resolution in terms of the Resolution Framework 1.0:

a. Personal Loan

i. Term Loans and Demand Loans

- Allow moratorium period during the expected future period of stress, subject to a maximum of two years. The future period of stress shall be assessed based on the borrower's declaration of projected income.
- The extension of residual tenure may also be granted, with or without payment during moratorium, with an overall cap of extension (including the moratorium period, if any) of 2 years. iii. The instalment shall be re-fixed after capitalising the interest during the moratorium, if not paid
- The moratorium shall come into force immediately upon implementation of the resolution plan.
- In case overdue of instalment and/or interest already exist at the time of implementation of the resolution plan, that shall be removed from system. However, in these cases, the period of instalments pending should also to be notionally taken as the moratorium period and to be added with the future moratorium subject to overall moratorium of 2 years

ii. Overdraft Facility

- The payment of interest shall be deferred for the expected future period of stress along with un-serviced interest so far, if any, subject to a maximum of two years. The future period of stress shall be assessed based on the borrower's declaration of projection of income.
- The interest accruing during the deferred period & overdue interest as on the date of implementation shall be converted into a Funded Interest Term Loan (FITL), with the same rate of interest that of the OD facility and shall be repayable within a period of 3 years
- In case of un-serviced /overdue of interest already exist at the time of implementation of the resolution plan, the period of interest un serviced should also to be notionally taken as the moratorium period and to be added with the future moratorium subject to overall moratorium of 2 years

b. Loans to individuals for business purposes and small businesses other than MSME (refer 3 B (ii) & (iii))

i. Term Loans and Demand Loans

- Allow moratorium period during the expected future period of stress, subject to a maximum of two years. The future period of stress shall be assessed based on the borrower's declaration of projected income.
- The extension of residual tenure may also be granted, with or without payment during moratorium, with an overall cap on period of extension (including the moratorium period, if any) of 2 years.
- The instalment shall be re-fixed/ re-scheduled based on the projected cash flow, after capitalising the interest during the moratorium, if not paid.
- The moratorium shall come into force immediately upon implementation of the resolution plan.
- In case overdue of instalment and/or interest already exist at the time of implementation of the resolution plan that shall be removed from system. However, in these cases, the period of instalments pending should also to be notionally taken as the moratorium period and to be added with the future moratorium subject to overall moratorium of 2 years

ii. Overdraft and Cash Credit Facility:

- The payment of interest shall be deferred for the expected future period of stress along with un serviced interest so far, if any, subject to a maximum of two years. The future period of stress shall be assessed based on the borrower's declaration of projection of income.
- The interest accruing as above, during the deferred period & overdue interest as on the date of implementation shall be converted into a Funded Interest Term Loan (FITL), with the same rate of interest that of the OD/CC facility and shall be repayable within a period of 3 years
- In case of un serviced /overdue of interest already exist at the time of implementation of the resolution plan, the period of interest un serviced should also to be notionally taken as the moratorium period and to be added with the future moratorium subject to overall moratorium of 2 years

- iv. The resolution plan also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable, and the same shall be governed in terms of Paragraphs 30-32 of the Annex to the Resolution Framework issued by RBI vide notification dated 06 August 2020.

II. Advances to individuals and small businesses who have availed resolution in terms of the resolution framework 1.0

- a. 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.
- b. Working Capital Support for small businesses - In respect of borrowers specified at sub-clauses (ii) and (iii) of Clause (3 B) above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, it is permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The sanction in this regard shall be taken by September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022.

The following concessions also may be allowed in such cases:-

Proposed Action:

- Reduction in margin on inventory up to 10 % (This will be restored to earlier sanctioned level under Resolution Framework 1.0 on or before 31.03.2022)
- Extension of debtors' period further up to 90 days from the existing sanctioned level subject to a maximum resultant period of 360 days. (This will be restored to earlier sanctioned level under Resolution Framework 1.0 on or before 31.03.2022)

E. INVOCATION & IMPLEMENTATION OF RESOLUTION PROCESS:

I. Invocation of Resolution Plan

- i. The resolution process under this window shall be treated as invoked when the Star HFL 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 Star HFL 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 Star HFL decide to process the application can be taken as date of invocation.
- ii. 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.
- iii. The last date for invocation of resolution permitted under this window is September 30, 2021.
- iv. The decision on the application (sanction/ rejection) shall be communicated in writing to the applicant by the Star HFL within 30 days of receipt of such applications

II. Implementation of Resolution Plan

- i. The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process.
- ii. The resolution plan shall be deemed to be implemented only if all of the following conditions are met:
 - a. All related documentation, including execution of necessary agreements between the Star HFL and borrower and collaterals provided, if any, are completed by the Star HFL in consonance with the resolution plan being implemented;
 - b. The changes in the terms of conditions of the loans get duly reflected in CBS; and,
 - c. Borrower is not in default with the Star HFL as per the revised terms.
- iii. Any resolution plan implemented in breach of the above stipulated timeline shall be fully governed by the Prudential Framework, or the relevant instructions as applicable to specific category of Star HFL where the Prudential Framework is not applicable.

F. ASSET CLASSIFICATION, PROVISIONING AND WRITE BACK OF THE PROVISIONS:

Asset Classification - The Eligible Borrower accounts restructured under Resolution Framework 2.0, the standard classification of the assets shall be retained. However, whereby the Eligible Borrower account has slipped into NPA classification between the date of invocation and implementation of resolution plan, such account will be upgraded to standard classification as on date of implementation of resolution plan.

Provisioning - The provisions will be maintained on such restructured account by lending institutions shall be higher of the two below:

- Provisions maintained with respect to such Eligible Borrower prior to implementation of resolution plan as per the applicable IRAC norms
- 10 % of the renegotiated debt exposure after implementation of resolution plan ('Residual Debt')

Write back of provisions - 50% of the provision can be written back upon the borrower paying at least 20% of the Residual Debt without slipping into NPA and remaining half may be reversed upon payment of additional 10% of Residual Debt.

However, in cases (other than personal loans) the provisions shall not be written back before one year from date of commencement of first payment of interest or principal (whichever is later) on credit facility with the longest period of moratorium.

Disclosure -

Star HFL publishing quarterly financial statements and make disclosures as per the format prescribed in 'Format-X' in financial statements for the quarters ending September 30, 2021 and December 31, 2021. The resolution plans implemented in terms of this framework should also be included in the continuous disclosures required as per Format-B prescribed in the Resolution Framework - 1.0.

Additionally, the credit reporting, to credit information companies, of borrowers whose accounts are restructuring under this facility shall carry a specific mention - "restructured due to COVID19" status. The intent seems that the restructuring shall not tarnish the credit history of the borrower.

Processing Fees -

Processing fees is nil and out of pocket expenses will be recovered as incurred. (By the Borrower)

Process of availing Moratorium on existing loans -

Every Borrower has to apply in written application to the company on below mail ID along with loan details:

**APPLICATION FOR RESTRUCTURING
(UNDER RESOLUTION FRAMEWORK 2.0)**

To,

The Branch Manager,

Star Housing Finance Limited ("Star"),

Branch:

Sir/Madam,

I/We, ("Borrower(s)") have suffered severe financial strain/loss in business/income on account of the Lockdown and the disruption caused due to pandemic. In light of the aforesaid, we are unable to service our liability under the various credit facilities viz. Housing Loan/Property against Loan availed from the Star, hereinafter referred to as "Facility" or "Facilities". I/We, the Borrower(s) hereby request you to restructure the outstanding liability under the Facility. I/We, the Borrower(s), hereby unconditionally state that I/we have verified the statement of account/s of each of the said Facilities availed by the me/us from time and time and I/We acknowledge and confirm that I/we am/are liable for the outstanding liability under/in respect of the Facility. I/we have not committed any act/omission leading to any default under/in respect of the Facilities. If the Star accepts our aforesaid request and restructures the outstanding liability under the Facilities availed by us, I/we hereby confirm and covenant that I/we shall strictly adhere to the revised terms and conditions stipulated by the Star in this regard.

Name & Signature of the Borrower(s)

91.80 - 7005

(_____)

(_____)

Place :

Date :

APPLICATION FORMAT FOR EXISTING LOANS TO INDIVIDUALS (UNDER RESOLUTION FRAMEWORK 2.0)

Letter No.: _____

Date: _____

Name & Address of Star HFL branch:

To

(Borrower's name & address)

Dear Sir / Madam,

LOAN ACCOUNT NO:.....**RESOLUTION OF PERSONAL LOANS UNDER RESOLUTION FRAMEWORK – 2.0**

In terms of RBI guidelines dated 05.05.2021, your credit facility may be eligible for the resolution plan under Resolution Framework-2.0. The permitted features of resolution plan are as under:

Reschedulement of installments (upto 24 months)*
Moratorium period under reschedulement (upto 24 months)
Conversion of any interest accrued or to be accrued into FITL

(*Total reschedulement shall not exceed 24 months under Resolution Framework - 1.0 & 2.0 both put together.)

If you wish to avail the benefit under Resolution Framework 2.0, you may kindly return the duly signed Application for Resolution Framework 2.0 to home branch (personally or through post) / email id.....immediately. If you do not wish to avail the benefit under Resolution Framework 2.0, you may submit the optout request, as given below.

Yours faithfully,

BRANCH MANAGER

.....

OPTOUT

I/We do not require the facility under Resolution Framework 2.0 and express our intention to opt out.

Date:

Place:

Signature of Borrower/s

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Application for Resolution under Resolution Framework-2.0 (For Existing Loans to Individuals)

Full Name	
Father's/Husband's Name	
Present Communication Address	
Mobile No. Email ID	

I have availed following loan from the Star HFL:

(In Rs.)

Account No.	Nature of Loan	Sanctioned Limit

I hereby declare and certify as follows:

- i. I am at present finding it difficult to service the account due to resurgence of Covid-19 second wave owing to the following reasons:

- ☐ Decrease in salary
 ☐ Reduction in business income
☐ Decrease in rental income
 ☐ Others (specify).....

- ii. I/We are fully aware of the RBI Master Directions on Resolution Framework 2.0 and I/We hereby declare that I/We are eligible to avail the benefits under the said guidelines.

I request you to arrange for the following resolution plan for my/our loan account as per RBI guidelines dated 05.05.2021:

	Yes/No	If yes, details
Reschedulement of instalments (upto 24 months)*	months (upto 24 months)
Moratorium period under reschedulement (upto 24 months)	months (upto 24 months)
Conversion of any interest accrued or to be accrued into FITL		

*Total reschedulement shall not exceed 24 months under Resolution Framework - 1.0 & 2.0 both put together.

I/We hereby certify that the contents of my/our Application submitted to you are true, correct and complete to the best of my/our knowledge. The Star HFL shall have the right to reverse/ discontinue any concessions / benefits provided under the Resolution Framework 2.0 if any of the statements made therein under my/ our application are found to be incorrect at a later stage.

I/ We hereby agree to comply with all the terms and conditions stipulated by the Star HFL while sanctioning this facility to me / us.

Date:

Place:

Signature of Borrower/s

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Customer Support Cell/Grievance Redressal for Covid-19 Resolution Framework-2.0

In terms of the guidelines of the Reserve Bank of India, bank has been permitted to restructure the loan accounts having stress on account of COVID 19 as per Resolution Framework 2.0, if you have any query or you need any support/ information, you may please contact and /or email us as per the details given below:

Contact Number: +91 63-7777-0825

Email ID: info@akmestarihfc.in / contact@akmestarihfc.in