



# PROJECT APPROVAL POLICY

## STAR HFL

VERSION 1.0

## Project Approval Policy

<b>PREPARED BY:</b>
<b>CREDIT DEPARTMENT</b>
<b>RECOMMENDED BY:</b>
<b>HEAD - CREDIT</b>
<b>APPROVED BY:</b>
<b>BOARD OF DIRECTORS</b>
<p>On behalf of Board of Directors:</p>   <p><b>Ashish Jain</b>  Managing Director  DIN: 02041164</p>

<b>Title</b>	Star Project Approval Policy
<b>Date of Latest Release</b>	
<b>Version</b>	1.0

## Project Approval Policy

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### 1. Introduction

The purpose of this document is to define the Project Approval Policy for the company. This is a living document and supposed to be updated on a regular basis. This document should not be seen in isolation but in conjunction with the other policy documents that define the overall working of the Company. For the sake of simplicity and to avoid confusion, any matter covered in other policy documents is not repeated in this document.

Following is the list of other documents / policies that are complimentary to this policy document:

- a. Credit Policy
- b. Product Policy Guideline
- c. Technical Policy
- d. Legal Policy
- e. Operational Policy
- f. Asset & Liability and Risk Management Policy
- g. Borrower Accounting Policy
- h. Outsourced Vendor Policy

### 2. Company Philosophy

Star Housing Finance Limited (STAR HFL) aims at fostering maximum contented customer base in a mutually profitable way. With pre-approved project we are facilitating our customer to identify the property which are technically and legally clear, where by it reduce the paper work and time taken for disbursement processing. In turn it will reduce overall our cost of technical and legal verification. It also helps builder to market this property as it is pre-approved. This project approval policy serves as a base document to assess project and address risk considerations in the functioning of the Company.

### 3. Mission of Project Approval Policy

“To create a uniform benchmark in assessing builder project having similar credit characteristics across geographies, product and ensure compliance to regulatory requirements”

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The Company's stated objective is not to discriminate borrowers with similar characteristics across geographies and hence this policy envisages a detailed approach, methods and techniques towards project appraisal.

Well written Policy and Procedures documents helps an appraiser to understand his/her roles & responsibilities and respective deliverables within predefined boundary. Basically, policies and procedures allow management to guide business operations without constant management intervention.

### 4. Purpose of Project Approval Policy

Considering the various risk involved in funding of individual cases of builders, and as to make the process faster, easier and cost effective, it has been proposed to get the pre- approval of identified potential residential projects. This would not only mitigate the risk of exposure in a particular project but branches can also get the following benefits –

- a) Branches will be having identified projects to source the loan files in bulk.
- b) Branches can speedily process the loan files sourced from the identified Pre-approved projects.
- c) Branches need not to obtain separate legal and technical reports as the Master Legal and Master Technical reports for a pre- approved project is available.
- d) It is cost effective as we do not need separate legal and search reports. Master search Report is available conducted by Panel Advocate.
- e) It would help branches to process the files faster than other loan files.
- f) Application of uniform rules to builder project with similar credit characteristics from any part of the country enabling standardized decision making
- g) Facilitate to maintain the portfolio quality
- h) To ensure compliance with regulatory requirements
- i) Enable loan book growth

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- j) Ensure operation on set process guidelines
- k) To build risk boundaries and mitigate on a long-term lending program

### 5. Project Selection for Project Approval

- Commitment from the builder- If the Builder has assured to give bulk cases from his project only then process for PROJECT APPROVAL, as cost involved in the Technical and Legal report is on the higher side.
- Projected minimum login – before getting into the tie-up you need to evaluate the business potential from this project.
- Project segment – is this project is in our segment of customer i.e. affordable segment

### 6. Methodology

- A. Residential projects within the GEO limit of the branch will be identified wherein BM will perform the following activities and submit his/her recommendations to State Head / Zonal Manager (through State/Area head).
  - a. Request for the project approval has to come from the builder in the format of annexure “A”, along with all the legal and technical document related to the project. Builder must provide KYC document like ID proof; Address proof etc. also need to provide KYC document of company / partnership / firm.
  - b. Collect the Master legal and Technical documents from the Builder along with inclusion application, ensuring all documents enumerated the document checklist as mentioned in Annexure “B” are collected and retained in the master file. Copy of one such documents are to be shared with the H.O. for seeking PROJECT APPROVA approval.

The collected fee if Is  $\leq$  Rs.25000/- in this situation the project will be approved for funding as per internal records and will give no right to the builder for using ROOF name in any of his advertisement.

If the collected fees is  $>$  Rs.25000/- the project will be approved internally and the builder will be at discretion to use the name of STAR HFL in display of pre- approved lenders.

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- c. Call for the Legal and Technical reports and collect the Master Legal and Technical Reports from the vendors.
  - d. Maintain Master File at Branch level wherein branch needs to collect all the necessary documents as required by legal and technical vendors and as per the requirement of Master Check list. Any other documents as per the requirement of branch credit/Operations need to be collected.
  - e. Forward the all the document including master file and other compliance requirement along with branch manager recommendation to zonal office after retaining the copy to the document forwarded.
- B. State Head / Zonal Manager would recommend to the corporate office for approvals after due completion of file.
- C. After receipt of the file at corporate office, a code will be generated and sent to the branch manager after thorough scrutiny and audit of the Master File, Project Approval Letter will be sanctioned to the Builder. The Project Approval Letter will have an inherent Reference code.
- D. A copy of the Approval Letter will be stored in the system for easy access of the branches.
- E. Once the PROJECT APPROVAL letter is sanctioned to the Builder, branches can source bulk cases from the project.
- F. While processing the individual loan files Branch operation would mention the name of Project and corporate office approval details.
- G. Branch operation to collect the documents relating to the individual customers as per the master Check list. Additional documents if advised by panel vendors need to be collected.
- H. Disbursement to be done according to the stages of construction. Master Technical Report would be referred for the valuation of Property and accordingly LCR and LTV to be maintained. Title documents of Individual customers to be collected as per the conditions of the corporate office approval.
- I. If Project is under construction then Technical need to be called for to analysis the stage of construction for the subsequent disbursement.

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- J. In case of any confusion individual technical report can be called for after taking approvals from Branch manager.
- K. Branch operation would maintain PDD register and PDD to be collected as per the schedule and time agreed upon.
- L. System capability to be built in regarding exposure towards the builder, project and the building
- M. Project wise MIS of PDD and exposure to be maintained, any additional inward must contain the total exposure in the project and same must be certified by the branch manager as per the annexure "C".
- N. Any process deviation from the inlaid process will need a formal written approval from the Chief Operating Officer. The written request will incorporate the current process and the proposed change.

### 7. Exposure Limit

As part of good risk policy, we should not take over exposure in the project, PROJECT APPROVAL recommendation must be having exposure limit i.e. annexure "B", it must follow the following broader matrix.

Building with Less than 50 Units	Upto 25 % units or saleable area
Building with 50 to 100 Units	Upto 20 % units or saleable area
Building with 100 to 200 Units	Upto 15 % units or saleable area
Building with above 200 Units	Upto 10 % units or saleable area

### 8. Project Approval Letter

After due consideration and scrutiny the project will be approved and a letter of project approval will be issued to the builder. Format of the same inclusion letter is Annexure "D".

After the issuance of approval letter, the builder if qualifying in PROJECT APPROVAL fee can use the organization Name in advertisements being issued by him for the project approved.

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The details of approved project will be updated in the system and future disbursement will be tagged into it.

### 9. Reports

After firing the legal and technical reports the Branch Manager will receive the reports from the empanelled service providers.

#### A. Legal Report

The report hence received must constitute the following details along with the standard legal Scrutiny Report.

The Report should clearly specify the flow of title with the owners, the authenticity of the development agreement and report must comment on the following in the detailed legal report.

Clear Marketable Title	Yes / No
Checked for (Search)	13 Years / 30 Years
Nature of Land	Agriculture / Non-Agriculture
Conversion applied if Agriculture	Yes / No
Stage of pendency of Conversion	
Mutation	Yes / No
Flow of Title	
Any Dispute	
Any Litigation Pending	
Development Agreement	Registered / Un-registered
Inclusion of All Owners	Yes / No

#### B. Technical Report

The Technical report hence obtained will include the following details in addition to the existing report submitted by the service provider.



## Project Approval Policy

Project Approved	Yes / No
Approval Official Authority	Name of Development Agency / Local Body
Project Approved by	
Clearances obtained	Environmental – Yes / No
	Municipal – Yes / No
Comment on Construction Quality	
Comment on activities in progress (stage of construction)	

Project Layout	
Total Area	Set Out
Constructed Area	Roads
Green Patch	No. of Buildings
Parking	Tower Size
Floors	

Floor Layout							
Bldg Name	Wing	Floor	Flat No.	Built Up Area	Carpet Area	No. of Bedroom	Market Value

**Floor Layout** - The same has to be made for each floor/ unit in the project.

All of the above-mentioned information must be necessarily contained in the report submitted by the service provider.

## 10. Validity

### A. Legal Report

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Legal report once obtained will be applicable for the entire project. There will be no subsequent need for legal opinion on the authenticity of the marketability title of the project.

### For Unit's Sold (Unit to be financed by us)

For all units which we want to finance in the project search will be conducted for ensuring that no adverse entries or charge creation has been constituted after inception of the project.

The report hence submitted will be only certifying that no charge or lien has been created on the unit after inception.

### NOC from the builder

Has to be individually obtained for each units to be financed by us.

## **B. Technical report**

After the expiry of every four months from the date of issuance of report a subsequent technical valuation of the project will be carried out to ensure the progress in the project.

This will aid in taking future exposure and will ensure disbursement is linked to the stage of construction.

## **11. TAT**

Legal Report	3 Days
Technical Report	3 Days
State Head	1 Day
Zonal Head	1 Day
Corporate Office	2 Days

## **12. Costs**

The cost for the services provided is detailed as under:

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Nature of Cost	Project	Subsequent
Legal along with search	5000	500
Technical	3000	500

**Annexure A**

(On Developers Letterhead)

Date:

To,  
The Manager,  
Star Housing Finance Ltd,

**Sub: Application for inclusion of ..... project developed by ..... as an pre-approved project for financial exposures.**

Sir,

We/I, ....., have undertaken to develop a housing project in the name and style of ....., situated at (complete address).

We/I have obtained all required permissions from commencement to completion of the project. All necessary approvals and clearances from statutory departments have been obtained.

We/ I are developing a project for ..... residential units (total construction area of ..... sq.ft.) as per approved plan. Wherein we intend to you to participate as a financial service provider for our unit holders / purchaser.

We/ I are submitting all necessary documents for your perusal and necessary action.

We/ I authorize you or your representatives to undertake all necessary activities to ensure the validity/correctness of the documents submitted.

We/I will consider STAR HFL as a preferred financial partner and will provide preferential Weightage to STAR HFL. We/I assure that all information provided by me/us is correct and nothing material has been concealed. We/I will honour the decision taken by STAR HFL and not challenge the same. In case of any dispute arising out of this application will be resolved mutually by a sole arbitrator appointed by STAR HFL. The venue of such proceedings will be in Mumbai.

We/I also intend to use the name of STAR HFL in project advertisements for which we/I are will to pay STAR HFL charges applicable as per its norms.

For .....(Builder)

Name and Sign

Annexure D

Dated

Reference No.

To,  
The Director,  
(Developer Name)  
Address:

**Sub: Approval of Project "Project Name" - situated at (Project Address).**

Dear Sir,

With reference to the above subject and discussions with your representative, we are pleased to inform you that we have approved your aforesaid project for extending individual housing loan finance to the flat/unit purchaser as per the terms and conditions applicable.

In-case of further information/details please feel free to contact ..... (BM).

We would like to assure you of our best service and wish you the very best in your endeavour. We thank you for your confidence in STAR HFLHousing Finance Limited and look forward to a long and mutually rewarding relationship.

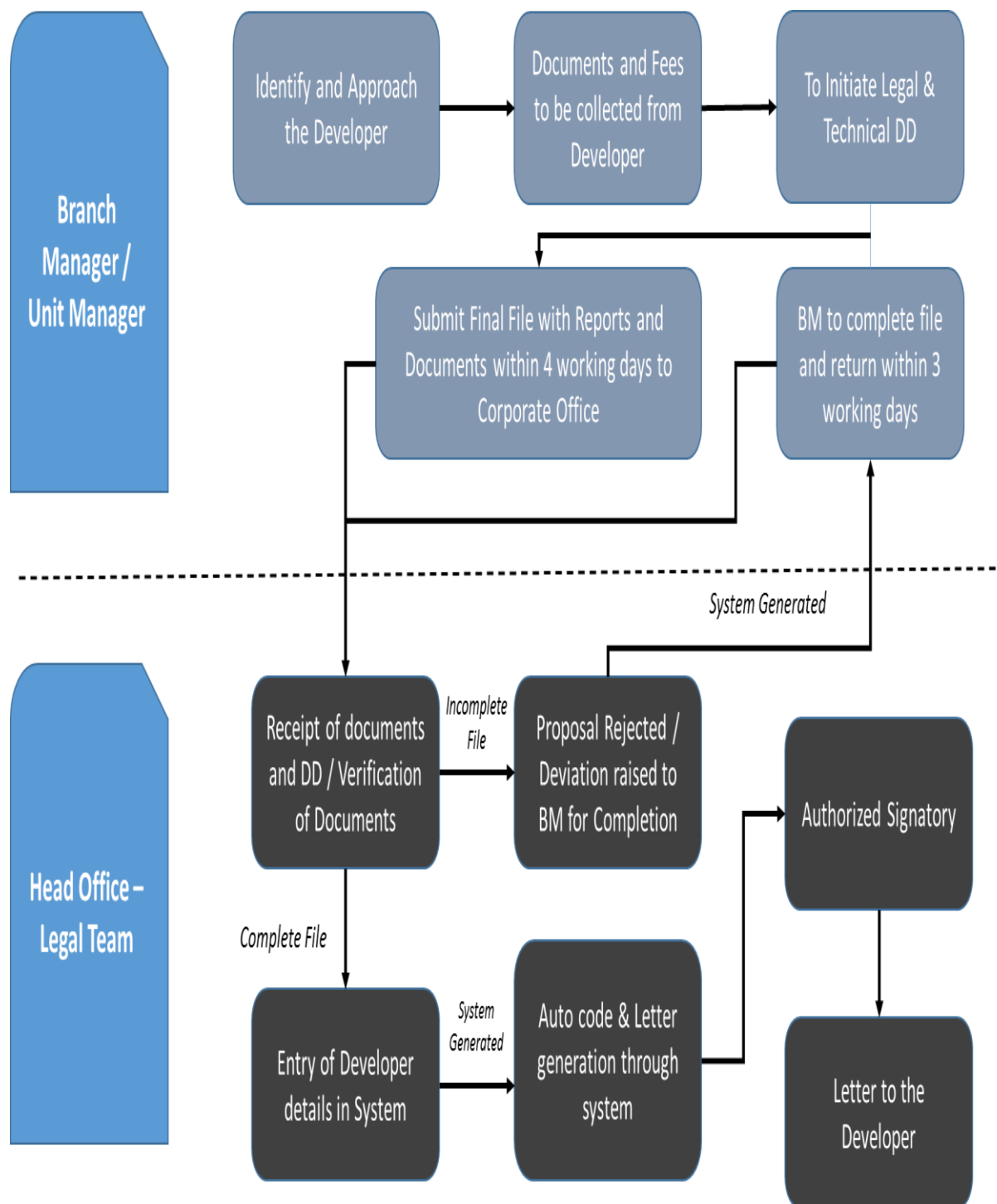
Kindly acknowledge the receipt of this Letter Thanking you,

Yours sincerely,  
For STAR HFLHousing Finance Limited

Authorized Signatory

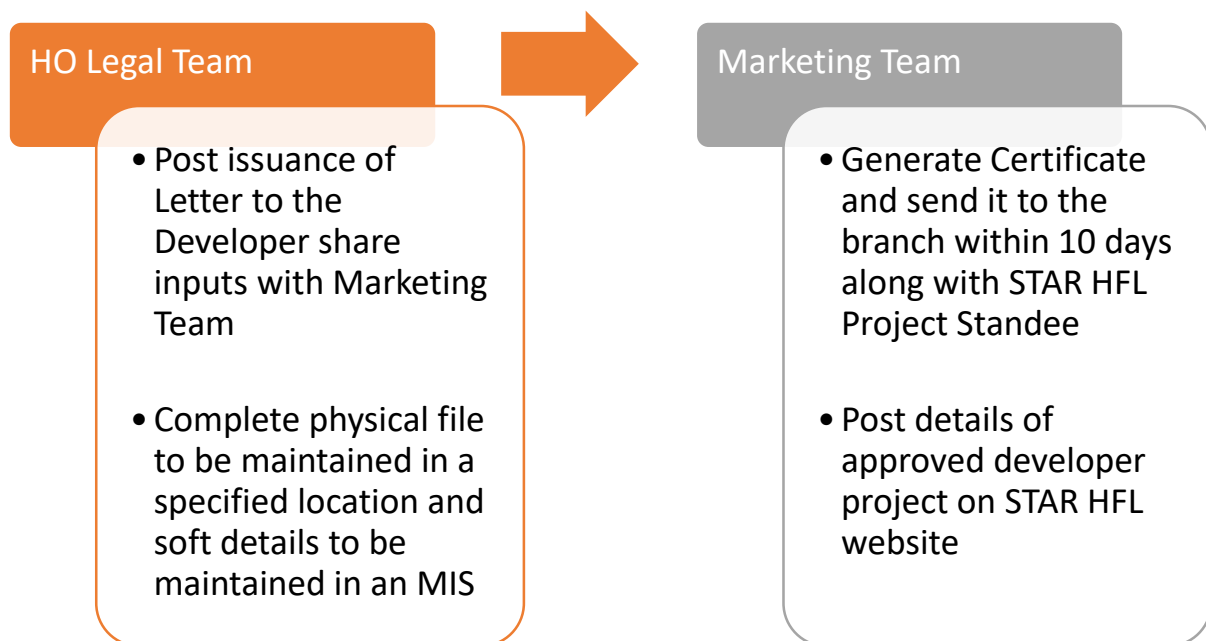
## Project Approval Policy

### Process Flow Chart for Builder Association



## Project Approval Policy

### Process Flow Chart for Marketing



### Process Flow Chart for Accounting

