TECHNICAL POLICY

STAR HFL

VERSION 1.0

PREPARED BY:
RECOMMENDED BY:
APPROVED BY:
BOARD OF DIRECTORS
On behalf of Board of Directors: **Ashish Jain** Managing Director DIN: 02041164

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Introduction

This manual is created to delineate the technical policy and also elaborates the roles and responsibility of the technical function at STAR HFL. The main objective of STAR HFL technical policy is to create a uniform benchmark through various processes that would enable the technical appraisal of the properties to be financed. This manual also establishes approval authority for handling property related deviations captured during the technical appraisal.

Technical appraisal is one of the three main processes in evaluating a housing loan application where the property being financed by the Housing finance company is being checked for stability and marketability thereby ensuring that there is no risk to the financer through the life cycle of the loan. To ensure the same, technical appraisal process involved analysis of the property in the form of site visits and checking the related documents.

Major activities in STAR HFL Technical function are delineated as follows:

- Analysing the property through site visit(s)
- Capturing key attributes related to the property and checking the technical documents related to the property
- Facilitate the property valuation to ensure the marketability of the property throughout the tenure of the loan
- Capturing property related deviations and escalating the same as per the deviation matrix
- Monitor the stage of construction by periodic review and recommending % of disbursement accordingly

We at STAR HFL believe that Technical Appraisal of a property is extremely important and a definite pre requisite while analysing a loan application. While credit appraisal helps in evaluating a prospective customer, technical and legal appraisal help in evaluating and reaching a conclusion as to whether a property is deemed fit to be financed. At STAR HFL, the technical officer captures all details related to the property under assessment in Technical Appraisal Memo (referred to as TAR). This Memo, along with Credit Appraisal Memo (CAR) and Legal Appraisal Memo (LAR) help in taking a decision to finance the loan application.

Roles and Responsibilities

Staff in the Technical Function at the STAR HFL Corporate office

- Defining and executing the business processes related to the technical function through policy notes and procedure manuals
- Setting up and modifying deviations related to property across locations in India and defining the relevant escalation points for the same
- Ensure total compliance to the property related norms as mandated by the state and central governments
- Monitor important announcements from the regulators (NHB and RBI) and facilitate the compliance to regulatory changes
- Monitor and ensure compliance to RBI circulars/updates concerning housing finance
- Defining the list of caution and negative areas across locations in India thereby restricting the financing in the mentioned localities
- Create, Update and Maintain database of builders and projects across India which would be helpful for builder / property appraisal in future
- Rate the builders across India as per their operating history and update the same on a continuous basis which would facilitate the technical appraisal of the projects being constructed by them
- Maintain the database of Pre Approved Projects across locations in India and review the same on an ongoing basis
- Preparation and dissemination of technical MIS across STAR HFL branches
- Recruitment and training of technical staff at branches
- Appointment of external agencies for technical evaluation at selected locations

Staff in the Technical Function at the STAR HFL Branches

- Ensure total compliance with the established procedure and policy guidelines set by the Technical function at STAR HFL corporate officer
- Escalation of property related deviations to relevant approving authority at branch / corporate office
- Facilitate the empanelment of external agencies for technical evaluation by coordinating with the corporate office
- Ensure complete due diligence as per the STAR HFL technical policy during site visit(s) and Memo the frauds, non-compliance or deviations, if any related to the property in the TAR
- Detailed analysis of the TAR submitted by the external agencies and correcting the same if necessary before submitting it to the corporate office
- Monitoring the stage of construction of the projects and recommending the % of disbursement in the TAR
- Detailed analysis of the property related documents and incorporating the comments related to the same in TAR
- Ensure that the technical appraisal is done within the prescribed Turn Around Time (TAT) as established by the corporate office
- Maintain branch related MIS (database of builders, ratings, projects and status of pre-approved projects) on a regular basis and sharing the same with the corporate office
- Recommending list of approved, cautioned and negative property areas in the location to the corporate office

Appointment of an External Agency for Technical Appraisal

The following documented below are the criteria which are required to be met by the prospective evaluation agencies who desire to be empanelled with STAR HFL.

Attributes	Detail
Educational Qualification	• B.E. Civil /Construction • Certified Valuer
Experience	• Minimum standing of 3 years in practice • Experience in Banks / Financial Institutions related to property to be given preference
Infrastructure	• Office premises for conducting business • Telephone connectivity through a mobile / fixed line at office premises • A Computer having internet connectivity & a Printer at the office premises • Having a team of subordinates would be preferential
Terms of Appointment	• Case to case basis • Retainer ship basis • Hourly basis • Pre-defined period
Restriction	Must not be an immediate relative of the STAR HFL staff
Selection authority	• Recommendation by Branch Manager • Approval by Technical Head at the STAR HFL corporate office
Remuneration limit	As per the prevailing market price

Approval Memo for Appointment of an External Agency for Technical Appraisal

Approval Memo		
Location		
Name		
Office Address		
Contact Number	Office : Mobile : Fax : Residence Number:	
Email Address		
Educational Qualification		
Experience		
Justification for recommendation		
Terms Recommended		
Nature of work to be performed/contracted		
Compensation		
Turn Around Time (TAT)		
Duration of assignment /contract /appointment		
Logistic/procedural Terms and Conditions		
Proposed by (STAR HFL staff)		
Recommended by (Branch Manager)		
Approved by (Technical Head)		

Format of recommendation for appointment of an External Agency

Format of Recommendation	
Nature of first contact with the agency	
Details of office infrastructure	
Office Address	
Manpower Details	
Background and Business Credentials	
Relevant Experience	
History of Previous unsuccessful application of empanelment with STAR HFL, if any	
Details of dealings with competitor(s) and nature of services provided to them	
Any Other Comments	
Proposed by (STAR HFL staff)	
Recommended by (Branch Manager)	

Technical Terms Used in Technical Appraisal

This section discusses the most commonly used terms in the technical appraisal of the property and attempts to simplify the meaning of the same.

Terminology	Meaning
Property Area Related Terms	
Carpet Area	Area measured as "Inner to Inner" face of the walls. Carpet Area is the net usable area of a property or building
Built up Area	• Area covered by the property or the structure measured "Outer To Outer". The thickness of the wall is included in considering the dimensions of the structure • The Built up Area is generally 12% -15% above the Carpet Area
Super Built up Area / Saleable Area	• The area in which the proportionate share of common areas like staircase lift well, common passage, terrace etc. are added to the built up area (In some cases common areas of the building like garden, open area, club house and other recreational facilities are also added) • The Super Built up Area is generally 30%-45% above the Carpet Area and is commonly used for transactions of real estates
Floor Space Index (FSI)	The ratio of the total floor area of building/buildings to the gross area of the plot on which the building/buildings are located is known as Floor Space Index.
Building Parts Related Terms	
Foundation	Part of the structure below the ground that provides support to the superstructure. The main function of the foundation is to transmit the load of the superstructure to the bearing strata
Basement / Cellar	The lower storey of the building below or partly below the ground level
Ground Level	Level of the existing nearest constructed road. Competent authority may decide existing ground

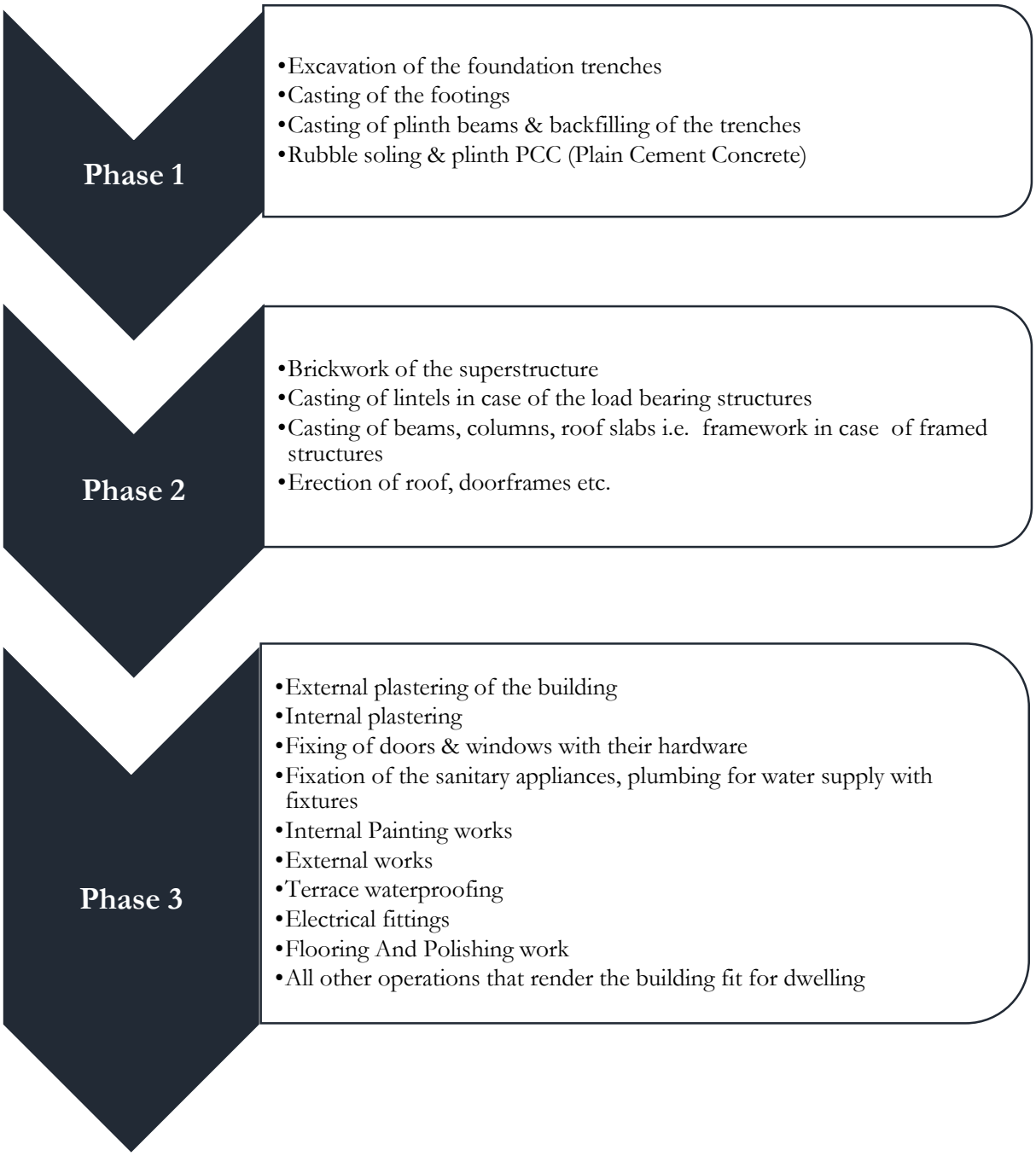
	level or High Flood Level, whichever is higher as existing ground level
Stilt	The portion between ground level and the floor of the first slab. This is the portion normally used for parking purpose and service rooms
Plinth	The portion of the external wall between the ground level and the floor level of ground floor
Floor	The lower surface in a storey on which the walls rest
Mezzanine Floor	Any intermediate floor between two floors above ground level accessible only from the lower floor
Refuge Area	The area between two floors which is left open without internal walls for the complying with fire safety norms
Parapet	A low wall or railing built along the edge of roof of a floor
Building Line	The line fixed up by competent authority to which the plinth of the building shall lawfully extend on a street or an extension of a street
Detached Building	A building, the walls and roof of which are independent of any other building with open spaces on all sides
Courtyard	A space open to sky, enclosed or partially enclosed by buildings, boundary walls, or railings. It shall be at the ground floor level or any other level within or adjacent to buildings
Height of Building	The vertical distance measured in the case of flat roofs from the level of the adjoining road in the front of the site to the top of the roof and in case of pitched roofs up to the point where the external surface of the outer wall intersects

Terminology	**Meaning**
Structure Types	

Load Bearing Structure	• Load bearing structures are structures where the load is transferred to the foundations via load bearing internal and external walls. They are generally characterized by having a small window to wall ratio (i.e. more structural wall area than window openings) and internal walls. Due to the large stresses within the brick or stone walls the height of load bearing structures is limited • These structures are easy to build with no special methods required and are seen generally in rural & semi urban areas
RCC Framed Structure	• An RCC framed structure is basically an assembly of slabs, beams, columns and foundation inter-connected to each other as a unit • The load transfer in such a structure takes place from the slabs to the beams, from the beams to the columns and then to the lower columns and finally to the foundation which in turn transfers it to the soil • These types of structures need special materials and methods to construct them hence are found generally in the urban areas. Due to the uniqueness in construction these can be constructed to any height
Composite Structure	• Composite construction exists when two different materials are bound together so strongly that they act together as a single unit from a structural point of view. When this occurs, it is called composite action. • One common example involves steel beams supporting concrete floor slabs. If the beam is not connected firmly to the slab, then the slab transfers all of its weight to the beam and the slab contributes nothing to the load carrying capability of the beam. • However, if the slab is connected positively to the beam with studs, then a portion of the slab can be assumed to act compositely with the beam. This composite creates a larger and stronger beam than provided by the steel beam alone • These types of structures are constructed specially where there is considerable movement in the strata due to earthquakes

Levels and Stages of Construction

The stages of construction of a building are delineated in the chart given below:



Property Valuation

The property valuation methods and process depends on various factors as enlisted below

Demand & Supply: The factors that have an impact on the market value of a property are demand and supply forces operating in the market, type of property, quality of construction, the local infrastructure available and maintenance of the property as well as that of the premises

Layout: Layout of premises and ancillary costs too are given importance in a property valuation. The layout of the premises in terms of optimum space utilization in an efficient manner helps the premises notch up valuable points. Ancillary costs of holding the premises like society outgoing for maintenance of the building, municipal taxes, etc would also determine the marketability of the premises

Location: Another prime determining factor, when it comes to property valuation, is the location or setting of the property. The valuation of an apartment or independent house, which is set near to the bustling market or office area can be quite high than that placed in a remote area.

Safety & Security: Safety and security is another factor which is closely looked upon in the present times. With incidents of robberies, burglary or theft increasing day in and day out, people are shifting base straight away. Today, a property located in or near the riot prone area has lower rates, even if it is in the best of location and filled with all the modern conveniences and amenities.

Other Factors: Additional factors, such as plush green surroundings, good quality roads nearby, civic amenities like safe drinking water and systematic drainage system add to the valuation of the property. Good connectivity of the property with the bus depot, railway station and airport is equally important and adds to the face value of the apartment or house.

Below mentioned are commonly used value types associated with the properties –

- Fair Market Value: The value that an asset can fetch when liquidated in the open market at real time with a willing seller and a willing buyer involved in the transaction. The Fair market value is important for Home Finance as it is the measure of the realizable sum of an asset or the properties to be financed
- Assessed Value: Value recorded in register of local authorities such as MCD / DDA used for determining property taxes etc
- Book Value: Also known as book cost which shows the original investment of company on asset including Property and machinery less Depreciation for the period passed.
- Salvage Value: Beyond economic repair, when value of property / asset realized on sale when useful span of life is over but not become useless.

- Scrap Value: Beyond limit of repair, when property / asset becomes absolutely useless except to be sold as scrap. For - Machinery – Scrape rate, Buildings – Value of old retrieved material less cost of Demolition
- Replacement Value: Value of building or portion thereof if these have to be replaced at the current market rate
- Earning Value: It is present value of Property which will start yielding an income in future. Such as in cinemas, conference/marriage Hall etc
- Insurance Value: It is the value of the Building for which the building is insured. Normally the Building is insured for the superstructure alone (not for the foundation)
- Earning Value: It is the present value of a property which will start yielding an income in future
- Potential Value: It is an inherent value which may go on increasing due to passage of time or some other factor which will fetch more return
- Speculative Value: When the property is purchased so as to sell the same at a profit after some duration, the price paid is known as Speculative Value
- Monopoly Value: In a developed Colony, the value of the plot goes on increasing when number of the available plots goes on decreasing. The fancy price demanded by the Vendor for the remaining plots is known as Monopoly Value
- Sentimental Value: The extra price which is demanded by a Vendor when he attaches certain sentiments to his property is known as Sentimental Value having no relation with the Market Value
- Fancy Value: It is also called as Desired Value. If the Purchaser wants to have a property somehow since the procurement is an absolute necessity for him due to various reasons, he is prepared to pay more sum when compared with others. He attaches a special desire over the said property. The extra sum he is prepared to pay is called Fancy Value
- Accommodation Value: Small strips or lands cannot be developed independently due to their restricted lengths, depths etc and number of purchasers for this property is less. These strips could be sold only to the adjacent land owners who may be offering only a low value. This is called Accommodation Value
- Replacement Value: Replacement Value is the cost of reproduction of a similar Building with similar specifications at the current Market Price on the date of Valuation. It is also called as Reproduction Value or Reinstatement Value
- Depreciation Value: It is the reduction of Value of the Property due to age, deterioration, lack of maintenance, obsolescence, decay, wear and tear etc., Depreciation Value depends upon the age and its future life
- Present Value: It is replacement value less depreciation value

Valuation Methods

Most common used property valuation methods are described in detail as follows:

- **Rental Capitalization Method:** This method capitalizes the net annual Rental Income (NAR) at an appropriate rate of Interest and rate of Capitalization. Net annual rent income equals to gross rental income less outgoings like property tax, repairs, maintenance service charges, Insurance premiums, rent collection and management charges etc

- **Development Method:** This method is used to evaluate such property where there is a development potential, so that the value of the property after development will be increased more than the expenditure incurred. For example, a large portion of land can be divided into small plots and developed fully so as to provide plots of land for a residential Colony or a large complex of multi-storied buildings, housing ownership flats in a Co-operative Housing Society

- **Land and Building Method:** By this method, the value of the land and the value of Building are assessed separately and added to get the present value of the property. Depreciation is calculated either by straight line method or applying linear method

- **Profit Method:** This method is applicable to Hotels, Cinema Theatres, Marriage Halls and Public Places. This method as the name suggests deals in working the profit from a property and subsequently capitalizing the same at appropriate rate of return depending upon a number of factors. The net profit to be adopted should be an average of last three years of profit. Part of the profits is due to goodwill which should be properly reflected in the rate of return

- **Comparative Method:** In this method, the latest sales figure of property in the market is devised. Based on the comparative values, it derives capital values for properties and rental yield

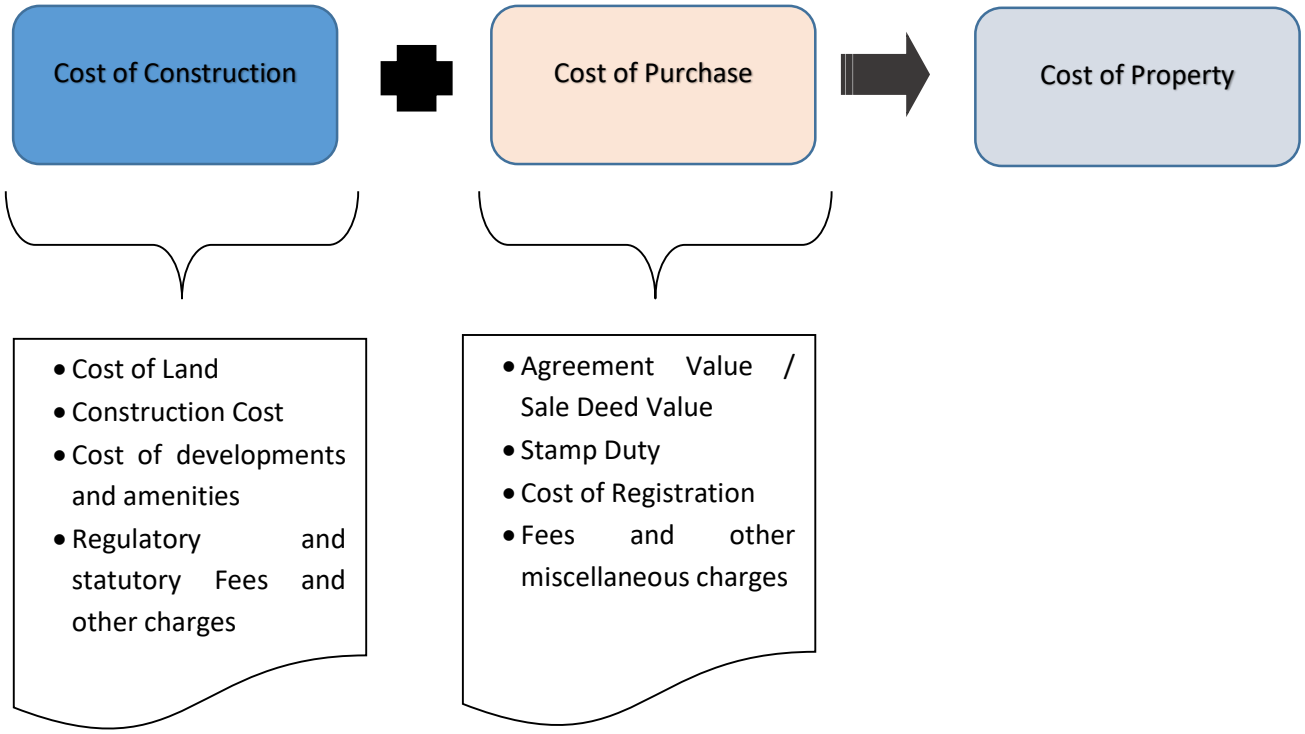
- **Investment Method:** Based on discounted cash flow method, it takes into account the future cash flows that the real property can bring to the investor. The method is a practical and discreet one, extending a fair view of the value of the property

- **Contractor's Method:** A cost-based approach, it is generally used in rating all the compulsory purchases

- **Residual Method:** This method is generally applicable in development projects, where the real estate developer sells most of the property

Cost of Property

The picture given below gives a detailed description of the various parameters that add up to give the total cost of the property.



Competent Authorities in India

The following bodies are appointed by the Government whose primary purpose is to approve & regulate the land development proposals under its jurisdiction:

Authority	Description, Powers, Roles and Responsibilities
Town Planning Department	• These departments are formed for looking after the overall development of infrastructure and the real estate for the state • They have the powers as similar to various development authorities and also look after the implementation of the development plan outside the jurisdiction of the development authorities and for the entire remaining district. • All Gram Panchayat outside the purview of development authorities come under these departments
Metropolitan (Regional) Development Authority	• Development authority is an independent authority formed by the governments of various states to prepare, implement and monitor the development plan for a particular area • Such authorities have got special powers to supervise the overall infrastructural development of the area • They can also on their own carry out the construction and real estate development for the public • E.g.: Mumbai Metropolitan Development Authority (MMRDA)
Municipal Corporation	• Municipal Corporation looks after the overall development of a city with major population and is headed by a Municipal commissioner • It has got the powers for controlling the developments of real estate within the city and has got the independent Development Control Regulations as per the respective orders passed by the state governments • It also looks after the implementation of the Development Plan for the overall area • E.g.: Municipal Corporation of Greater Mumbai

Municipal Councils/Municipality	• Municipal council is the authority which governs an area smaller than a city, particularly a suburban area of a city. Municipal council is headed by commissioner /CEO as per the various states. They have their own byelaws and regulations but the authorities are limited than Municipal corporations. • Any proposal above the authority of the council has to be approved by either the development authority or the town planning department. • The municipal councils are also called as municipalities or city Municipal councils based on the location and state. However, their function remains more or less the same
Town Panchayat	• Town Panchayat is designated to look after the development of a town which is smaller in size than suburban area of a city. The same is headed by an Executive officer who is a nominated member • They have independent Development Control Regulations for controlling the development with limited powers • Any proposals above the authority is approved by the development authority based on the various state Government Offices
Revenue Authority	• Revenue authority mainly looks after the overall demarcation and revenue collection of entire agricultural and nonagricultural lands of districts in a state. The same is headed by a Collector and is decentralized into various districts in states • These are governed by the respective Land Revenue Codes framed by state government. All the records pertaining to the demarcations and measurement of areas along with the survey numbers are maintained by them • They also have got the powers to allow the change of use of lands and grant requisite permissions for the same

Special Authority	• The special competent authorities constitutes of such authorities which have powers conferred on them by the respective state government and/or the central government for special purpose. Such authorities have got certain powers with respective certain areas, uses or developments. • Some of the special competent authorities are: City Industrial Development Corporation (CIDCO), Bangalore Mysore Infrastructure Corporation (BMIC), Hyderabad Airport Development Authority (HADA) • The powers and the clearances of the above authorities would be mentioned as per the various locations and the area of operations as per the notes for the respective locations.
Gram Panchayat	• These are formed for looking after the development of Gram (small towns and villages). It has got the power to control the development within its jurisdiction.

Areas to be considered for Financing by STAR HFL

- The properties / projects located under the jurisdiction of Municipal corporation limits, Development authorities, Municipal council limits, jurisdiction of Town Panchayat, Revenue authorities, Special authorities, Town Planning department and selected areas under Gram Panchayat would be considered for financing by STAR HFL

- The list of areas under these locations would be compiled separately by location specific guidelines. For financing the properties / projects located outside these areas would be requiring approval of Technical Head and MD / CEO

- The list of areas approved for financing are to be maintained and updated on regular basis by the technical staff at corporate office. The restricted / caution / negative areas are to be followed strictly by the technical staff and funding to these areas are to be followed as per the policy guidelines

- Any deviation related to the same has to be escalated. Failure to comply the same would result in punitive action by the senior management

List of Technical Documents to be scrutinized in STAR HFL Technical Appraisal

Document	Description
Approved Building Plan	Plan approved by the competent authority as described in the previous section as applicable depending on the location of the project/Property
Commencement Certificate (CC) / Builder Permit	After the plans are approved, the competent authority issues Commencement Certificate to developer permitting commencement of construction
Completion / Occupancy Certificate (OC)	Issued by the competent authority to the developer to certify that the building is complete in all respects and fit for occupation
Development Plan/Master Plan	Outline development plan for a particular area in which the development is proposed as per the zoning rules. This plan is prepared under the jurisdiction of the competent authority
Intimation of Disapproval (IOD)	• Intimation issued by the competent authority stating terms and conditions mentioned in the CC, non compliance of which would result in disapproval of permission. • IOD is issued along with CC or before CC to be enforced as a precautionary measure and to save the time taken for action in case of non compliance of construction conditions
Non Agricultural Permission (N.A.)	• If one intends to develop the agricultural land for residential/ commercial/ industrial use, then such agricultural land has to be converted to non-agricultural land and an N.A order has to be obtained from the Collector of the District where the property is located. • Latest receipts evidencing the payment of N.A. tax should be obtained. Where the conversion from agricultural use to N.A. use is not carried out within the stipulated period, an extension order from the concerned authority shall be required

ULC (Urban Land Ceiling & Regulation Act)	• ULC Act is a social legislation vide in which the Government has set a limit on the maximum permissible vacant land holding by a single entity in an urban area • Depending on the location and zone classification, this maximum limit varies from 500 sq. Mts. to 1500 sq. Mts. Excess vacant land is liable for acquisition by the respective State Government. Any vacant land holding beyond this limit would require an exemption under various sections from the ULC authorities, which is governed by the Urban Development (U.D) department
Transfer Of Development Rights (TDR)	• In some parts of the country, TDR can be obtained by surrendering excess land under reservation to the competent authorities in turn getting a Development Right Certificate (DRC). • DRC can be utilized to load the said FSI over existing area. Thus it is transfer of FSI from one plot to other in the form of development right over the land
Environmental Clearance	Clearance required under the environment Protection Act, 1986 from the Department of Environment and Forest. The Environment Clearance is required prior to starting construction of the projects falling within the purview of the Act

STAR HFL Project Approval Types

Advanced Approved Project Scheme (AAPS)

This is the scheme where a particular project is technically appraised by the STAR HFL staff / external valuer appointed by STAR HFL before receiving any application for financing a property in the project. This would reduce the TAT for processing an application as on receiving a proposal for financing any flat under AAPS, only title relating to the property shall be verified. The frequency for conducting site investigation shall also be specified during approval of the project under AAPS

Conditional Project Approval (CPA)

When the project document is applicable but currently not available project may be conditionally approved. Approval would be conditional if approval is subject to fulfillment of conditions like availability of certain documents assured and/or permission pending. The conditional approval has to come from the Technical Head at the corporate office

Part Project Approval (PPA)

When only a part of the project is being cleared (say a wing or building in multiple building projects) the type of project approval is part. This approval is only for part and rest of the project shall require fresh approval. Properties under the approved part of project can be approved

Full Project Approval (FPA)

When the entire project is being approved the type of project approval is full approval. All properties under such projects are approved

Due Diligence during the Technical Appraisal

Home Purchase (New / Resale) / Loan Against Property

- Complete due diligence of the property by conducting site visit by an STAR HFL technical officer / external agency appointed by STAR HFL. Details about the location, access road, age of the property, demarcation of the property and other related to parameters to be captured in the Technical Appraisal Memo (TAR)
- Approval number, original signatures of the competent authorities and architect of the project / property to be checked
- Check the building plan / development plan / master plan as approved by the competent authority and compare the same with the actual area
- Check the necessary approvals and other related technical documents in detail for compliance as mandated by the competent authorities and capture deviations, if any in TAR
- Estimated market value of the property along with the amenities to be calculated using one of the valuation methods mentioned in the policy manual
- Check for FSI violations, discrepancies in the open areas, unauthorized coverage of the balconies and other violations, if any and capture the same in TAR
- Check the quality of construction and the stability of the structure
- Check the business credentials and professional background of the builder / developer
- Check for the stage of construction, quality of the material and other attributes in under construction projects
- Confirm the present and residual age of the property by verifying the same with the appropriate documents

Home Extension / Improvement Loans

- Site visit by an STAR HFL technical officer / external agency appointed by STAR HFL to assess the feasibility of extension / improvement of the existing property
- Check for the stability of the property post extension / improvement of the property
- Detailed analysis of the work estimate for the extension / improvement of the property. Cross check the rates of the materials enlisted in estimate with the prevailing rates in the market to have a fair and accurate funding requirement for the project

- Check the necessary approvals and other related technical documents in detail for compliance as mandated by the competent authorities and capture deviations, if any in TAR

- Ascertain the marketability of the property post extension / improvement of the same

- Ensure that the time limit of the estimated work should not extend beyond 1 year in any case

- Regular monitoring of the status of the work by conducting frequent site visits

- Check for any violations (FSI in particular), discrepancies etc, if any and capture the same in TAR

- The following work is to be considered for home improvement / extension: Flooring, Roofing, Plumbing, Plastering, Electrical Work, Painting, Grills and Sliding Doors & windows, Parapet wall & Boundary wall, Underground water tank, Overhead tank, Replacement of doors & windows and other relevant work as deemed fit by the technical officer and recommended by the branch manager. The decision taken by the technical team at the corporate office would be final

Home Construction Loans

- Approval from the competent authorities to be checked. Approval number, original signatures of the competent authorities and architect of the project / property to be checked

- Check the building plan / development plan / master plan as approved by the competent authority and compare the same with the actual area

- Check the necessary approvals and other related technical documents in detail for compliance as mandated by the competent authorities and capture deviations, if any in TAR

- If the plot has been bought by the borrower then cross check the land cost by referring the revenue department rates

- Check per sq. ft. construction cost of the structure and confirm whether it is as per the norms. These Norms can differ from location to location

- Check for any violations (FSI in particular), discrepancies etc, if any and capture the same in TAR

- Detailed analysis of the work estimate for the property. Cross check the rates of the materials enlisted in estimate with the prevailing rates in the market to have a fair and accurate funding requirement for the project

- Regular monitoring of the status of the work by conducting frequent site visits

Composite Loans

- In case of composite loans, the norms related to Home loans (Purchase / resale) plus norms related to Home construction loans are applicable

- The construction should start within 6 months from the date of first disbursement. The customer shall be required to give an undertaking and indemnity

    - The rate shall stand revised by 200 bps over the rate of interest for composite loan
    - The tenure shall stand revised to a maximum of 10 yrs or loan tenure whichever is lower
    - Amortization of the loan shall start from the EMI following the 6 month period

List of Items to be carried by an STAR HFL Technical Officer during a Site Visit

An STAR HFL Technical officer is expected to carry the following during the site visits -

- Digital Camera with built-in memory

- A Measuring tape to measure the dimensions of the property

- A magnetic compass to physically check the directions and property demarcations

- A ruler to check the dimensions of the building plan

- A detailed working drawing of the project to check the internal and external dimensions

- A copy of detailed estimate to check the materials and actual quantities on site

STAR HFL Technical Appraisal Memo (TAR)

STAR HFL Technical Appraisal Memo, referred to as TAR is the key output document produced by the STAR HFL technical officer / external agency appointed by STAR HFL which gives detailed information about the project / property to be financed. TAR is a compilation of findings documented during site visits, discussion with the applicant(s) and checking of requisite technical documents. This Memo captures the deviations related to the project / property being financed and gives recommendation on the % of amount to be disbursed.

The TAR captures the following information related to the property

- Location of the property
- Address of the property
- Status of the approach / access road
- Stage of construction
- Demarcations (North, East, West, South)
- Foundation details
- Details of walls / roof / floor
- Status of electric installation / water supply / sewage
- Details of technical documents (Approved Building Plan, Commencement Certificate, Occupation Certificate, Development Plan / Master Plan, Intimation of Disapproval, Non Agricultural Permission (N.A.), ULC, TDR, Environment Clearance, Other relevant approvals from competent authorities)
- Specifications of the property (Area of land, Carpet area, built up area, super built up area, plinth area, property age, cost of land, agreement value, market value, nature of extension if any, comment on quality of construction work and other attributes)
- Photographs of the property (Main door with interior details captured, Exterior photograph taken from either of the side margin in perspective to make the sides visible, from the Window showing the external view)
- Recommendation for % of the amount to be disbursed

List of Property Related Deviations Captured in Technical Appraisal

Deviation Type	Description
Set back Deviation	Horizontal violations of the open spaces specified during the plan approvals by the competent authorities. The deviations can be either of the nature in setbacks are violated by constructing the columns near the border or by cantilevering the portion at the upper level or by constructing the columns inside the building line setback
Vertical Deviation	The vertical deviations are done to accommodate upper floors without the permission of the authorities. These types of deviations are substantially risky in nature and are exposed to demolitions
Change of Use	The Plans are approved for one purpose and constructed differently. Eg: the plans are approved for individual house use and then converted into the Apartments for selling. The end use of the land or construction may be changed from that which is approved
Internal Deviation	The internal built up area deviations are done when the open terraces, flower beds, balconies and any other areas which are a part of the open areas are enclosed in the Built Up areas. In such deviations the setbacks may or may not be violated
Amalgamation Deviation	The plots are amalgamated to form a bigger plot to construct the Building over it. Such type of deviations is less risky if the individual houses are being constructed with separate accesses
Basement Construction Deviation	The basements or cellars are constructed for parking and storage and are allowed to be constructed in special cases only with the restrictions of use and FSI. Same needs to be checked for deviations, if any
Usage of FSI in excess than permitted	The deviations include the construction over the actual FSI permitted
Document Deviation	The document (e.g.: plan for particular floor) may not be available or conditions specified in the permission document may not be met
Zoning Deviation	The areas reserved for particular purposes are utilized for other purposes without the approval from the authority. Such deviations are serious in nature as they violate the basic rules of the Development plan framed by the authorities
Dwelling Unit Deviation	Such deviations are said to be done when the no. of units to be constructed within a project/building are violated from those approved

STAR HFL Methodology for Builder Classification

Builders across STAR HFL locations would be rated into category A, category B and Category C builders in that order on the basis of the following parameters:

- Personal information
- Company information
- Operating history
- Target market segment
- No of projects constructed
- Average time taken for completion of construction
- Quality of construction
- History of property related violations
- Civil / criminal cases pending
- Credit information

The classification enables the technical officer in appraisal of the properties developed by these builders and hence they can take informed decision by factoring this information in their appraisal. This database is to be maintained by the technical team at the corporate office and is to be updated on monthly basis thereby making it relevant throughout the course of business.

STAR HFL Standard Disbursement Schedule

The table given below gives an indication of the % amount to be disbursed which is linked with the stage of construction as is the case with under construction projects. The STAR HFL technical officer / external agency can consider this as an indicative list and can use this table to propose their recommendation in TAR.

Stage Of Work	%age completion	%age Disbursement Recommended
Plinth	20%	40%
1/4th completion of Structure	30%	50%
1/2nd completion of Structure	50%	60%
3/4th completion of Structure	70%	80%
Full completion of Structure	80%	90%
Plastering	90%	100%
Flooring	100%	100%

STAR HFL Disbursement Date Based Schedule

In this type of disbursement schedule, the disbursement is based on specific dates instead of stage of construction. The specific dates mentioned in the schedule are spanned in such a way that upon complete disbursement based on date the project is presumed to be ready for occupation.

Such a payment schedule will not match with the STAR HFL standard disbursement schedule. In such cases, a special schedule would be prepared by the STAR HFL technical officer / external agency which has to be recommended by the branch manager and subsequently approved by the corporate office.. Once approved this disbursement schedule would be followed for all cases for the Project.

In case of mismatch of due date with the phase of completion of the project, the STAR HFL technical team at the corporate office reserves all rights to change the disbursement schedule and link it with the stage of construction. This schedule is applicable only for projects being developed reputed builder having strong operating credentials and requires approval from the corporate office.

STAR HFL Base Rate Index (ABRI)

The ABRI enables the technical staff to arrive at the market value of the property to be financed and hence they can take informed decision during the appraisal of the said property. The ABRI is arrived by using the weighted average of the rates available in the market through various sources (property websites, builders, real estate agents, property revenue records, properties financed by STAR HFL in the location, properties financed by the competitors in the location, other precedent transactions etc.). This weighted average would give the market rate of the property in that location.

This methodology will be reviewed by the technical team at the corporate office on a monthly basis and required updation / modifications will be done post approval from the Technical head.

Property Risk Management through Monitoring and Control

- The regular review of the exposure on the properties would be taken based on movement in market rates and No. of properties financed at a particular location. MIS shall be updated on a monthly basis and forwarded to Technical head and MD & CEO

- In case of under construction projects, the monitoring of the same would be done by the respective branch manager and the Memo of the same is to be shared with the technical staff at the corporate office on fortnightly basis so that the property risk is captured accordingly and is reflected in the disbursement schedule

- Site visit(s) of the technical officer / external agency is to be monitored by the respective branch manager and the Memo of the same is to be shared with the technical staff at the corporate office on fortnightly basis

- Technical staff at the corporate office is responsible for maintaining AAPS, Builder ratings, ABRI and other property related databases. They are responsible for modifying / updating the same and the MIS to be shared with the Technical head and MD & CEO on monthly basis or as and when required

STAR HFL Approval Authority Matrix

Description	Branch Manager	HO Technical	Technical Head	MD & CEO
External Agency Recommendation	√			
External Agency Approval		√		
Builder Recommendation	√			
Builder Approval		√		
AAPS Recommendation		√		
AAPS Approval			√	
Conditional Project Approval			√	
Part Project Approval		√		
Set Back Deviation	√			
Vertical Deviation		√		
Change of Use			√	
Internal Deviation	√			
Amalgamation Deviation	√			
Basement Construction Deviation		√		
Usage of FSI in excess than permitted			√	
Document Deviation		√		
Zoning Deviation			√	
Dwelling Unit Deviation			√	
Accelerated Disbursement				
Up to 5% in addition to specified %	√			
6-20% in addition to specified %		√		
21-30% in addition to specified %			√	
Above 30% in addition to specified %				√
Age Deviation				
Age of Property 25-35 yrs		√		

Age of Property 36-45 yrs			√	
Age of Property above 45 yrs				√
Difference between External and Internal Valuation				
less than 5%	√			
6% - 10%		√		
11% - 25%			√	
Exceeds 25%				√
Revision in negative/caution area			√	
Considering property in negative/caution area				√