यूनियन बैंक ऑफ इंडिया
भारत सरकार का उपक्रम

Union Bank of India
A Government of India Undertaking

Policy on Co-Lending by Banks and NBFCs/ HFCs

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LIST OF ABBREVIATION

AML	Anti-Money Laundering
API	Application Program Interface
Bps	Basis Points
CA	Chartered Accountant
CAC	Credit Approval Committee
CASA	Current Account Savings Account
CBS	Core Banking Solution
CEPC	Customer Education and Protection Cell
CERSAI	Central Registry of Securitisation Asset Reconstruction and Security Interest
CGTMSE	Credit Guarantee Fund Trust for micro and Small Enterprises
CGM	Chief General Manager
CIBIL	Credit Information Bureau (India) Limited
CIC	Credit Information Company
CLM	Co-Lending Model
CMRD	Credit Monitoring and Restructuring Department
MSME	Micro, Small and Medium Enterprise
CRAR	Capital to Risk Weighted Asset Ratio
CRD	Credit Recovery Department
CRMC	Credit Risk Management Committee
CRO	Chief Risk Officer
CSV	Comma-Separated Values
DCA	Disbursement Contribution Account
DIT	Department of Information Technology
FDA	Final Disbursement Account
FGM	Field General Manager
FGMO	Field General Manager Office
FIG	Financial Institutions Group
FOS	Feet On Street
GM	General Manager
GST	Goods & Service Tax
HFC	Housing Finance Companies
IBA	Indian Bankers Association

IMPS	Immediate Payment Service
IPO	Initial Public offer
KYC	Know Your Customer
LAS	Lending Automation Solution
MD&CEO	Managing Director & Chief Executive Officer
MIS	Management Information System
NBFC	Non Banking Financial Company
NEFT	National Electronic Funds Transfer
NOC	No Objection Certificate
NPA	Non-Performing Asset
OD	Overdraft
PML	Prevention of Money Laundering
RABD	Rural and Agriculture Business Department
RBD	Retail Banking Department
RBI	Reserve Bank of India
RH	Regional Head
RMD	Risk Management Department
ROC	Registrar of Companies
ROI	Rate of Interest
RTGS	Real Time Gross Settlement
SMS	Short Message Service
TDS	Tax Deducted at Source
UAT	User Acceptance Testing
UPI	Unified Payment Interface
XML	Extensible Markup Language

Part A: Policy on Co-lending by Bank & NBFCs/HFC to Priority Sector

1. BACKGROUND –

1.1 RBI had issued guidelines on Co-origination of loans by Bank and NBFCs for lending to priority sector vide notification RBI/2018-19/49 FIDD.CO.Plan.BC.08/ 04.09.01/ 2018-19 dated 21st September 2018. It was envisaged that the benefit of low cost funds from Banks and lower cost of operations of NBFC would be passed on to the borrower through adoption of the blended rate/weighted average rate method. This arrangement was made mainly to entail joint contribution of credit at the facility level by both the lenders as also sharing risks and rewards.

1.2 Based on the feedback received from the stakeholders and to better leverage the respective comparative advantages of the Banks and NBFC/HFCs in a collaborative effort, RBI has decided to provide greater operational flexibility to the lending institutions, while requiring them to conform to the regulatory guidelines on outsourcing, KYC, etc.

1.3 Accordingly, RBI has revised the scheme and rechristened as **"Co-Lending Model" (CLM)** vide notification RBI/2020-21/63 FIDD.CO.Plan. BC.No.8/04.09.01/2020-21 dated 05.11.2020 to improve the credit flow to the unserved and underserved sector of the economy and make available funds to the ultimate beneficiary at an affordable cost, considering the lower cost of funds from banks and greater reach of NBFC/HFCs. The RBI circular is enclosed as Annexure-I.

1.4 This circular supersedes the earlier circular RBI/2018-19/49 FIDD.CO.Plan.BC.08/ 04.09.01/ 2018-19 dated 21st September 2018 and any loans outstanding in terms of the earlier circular would continue to be classified under priority sector till their repayment or maturity, whichever is earlier.

1.5 As per RBI direction, Bank shall formulate a Board approved policy for entering into CLM and place the approved policy on the Bank website. Based on the approved policy, a Master agreement shall be entered into between the two partner institutions (Bank and NBFC/HFC) which shall inter-alia include, terms and conditions of the arrangement, the criteria for selection of partner institutions, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities as well as customer interface and protection issues.

1.6 In terms of Co-lending guidelines, bank have two options under the co-lending mechanism as under:

Option 1: There will be a prior irrevocable commitment on the part of the Bank to mandatorily take its share of the individual loans in its books originated and sanctioned by the NBFC. For this, anex-antedue diligence process/parameters need to be put in place beforehand, which will be recorded in the Master Agreement. The process under this Option 1 will be done through Rule engine (mechanism not involving manual intervention).

Option 2: Bank can exercise its discretion to take or reject its share of loans originated and sanctioned by NBFC subject to Bank's due diligence. If the Bank exercises its discretion, the arrangement will be akin to a Direct Assignment (DA) transaction for which Minimum Holding Period (MHP) will not be applicable, in terms of Co-lending model guidelines of RBI.

All loan products which are processed through digital cum physical assist mode exercising proper due diligence, will be covered under the discretionary option. For the purpose of due diligence, the product parameters for such loans will be crystallized beforehand, recorded in the Master Agreement and would be covered under the Direct Assignment (DA) route.

1.7 In terms of the CLM, the banks are permitted to Co-lend with all registered NBFC (including HFCs) based on a prior agreement. The co-lending bank will take its share of the individual loans on a back-to-back basis in their books. However, NBFC/HFCs shall be required to retain a minimum of 20% share of the individual loans in their books.

1.8 The banks can claim priority sector status in respect of their share of credit while engaging in the CLM adhering to the specified conditions.

1.9 In terms of the above revised guidelines issued by RBI, we propose for formulating Policy on Co-lending by Bank and NBFC/HFCs to priority sector and the detailed scheme guidelines as under

2. REVIEW / VALIDITY AND OWNERSHIP OF THE POLICY

2.1 This document termed as "Policy on Co-lending by Bank and NBFC/HFCs to Priority Sector" codifies the policy and the procedure involved in the co-lending transactions. This policy supersedes the earlier Policy on Co-origination issued vide IC No.1872-2020 dated 05.03.2020. However, any exposure made in terms of the above said policy will continue till its closure.

2.2 This policy has been made in compliance with all RBI and extant regulatory guidelines issued till date. The guidelines enumerated in the policy are applicable for all domestic branches/offices and its operations.

2.3 **Validity/Ownership:** The Policy dealing with Co-Lending has been made in compliance to RBI direction. It's a "specific products" to give boost to priority sector lending. The Policy shall be modified to give effect to the changes in the extant guidelines / directives / instructions that may be advised by the Government of India / Reserve Bank of India (RBI) / IBA / Other statutory and regulatory bodies from time to time for which action may be called for at a short notice.

2.4 For this to adapt to the regulatory /statutory change in this products, CRMC will be the competent authority to approve the same and will be placed before the Board for information. Any operational part with regard to this policy shall be dealt by respective credit verticals of which assets are being under transaction.

2.5 The policy shall be valid upto 31-March-2024 from the date of issue and it should be renewed by the end of March every year. The continuity of the policy may be extended for a further period of 3 months with the specific approval of MD&CEO.

2.6 In case of any clarification regarding the applicability of any aspect of this policy to any situation, Credit Policy & Research, Risk Management Department, Central Office shall be the competent authority to give interpretation to specific clause or otherwise.

3. Need for Co-Lending and benefits associated:

3.1 NBFCs play a significant role in promoting inclusive growth in the country by catering to the diverse financial needs of bank excluded customers. India's large un-organized markets create a huge demand for unsecured as well as secured credit. In geographical areas where banks do not have sufficient reach, NBFCs fill this gap. Their contribution in deposit mobilization and credit extension can hardly be over-emphasized. Focusing on funding sectors where there is a credit gap, the core strengths of NBFCs lie in their strong customer relationships, large "feet on street" (FOS)work force understanding of regional dynamics, well-developed recovery systems, low cost of operation, personalized services and fast decision making.

3.2 Generally, NBFCs focus on segments neglected by Bank; non- salaried professionals, individuals, traders, transporters etc. These institutions are also instrumental in generating substantial economic activity and therefore employment in this field.

3.3 In today's time NBFC with Fintech collaboration has been able to build a lean credit delivery mechanism. They have introduced innovative products such as second- hand vehicles financing, small personal loans, three-wheeler financing, IPO financing, finance for tyres and fuel, AMC, and insurance advisory etc.

3.4 RBI has prescribed regulatory target for Banks for extending finance under priority sector. Any lending through CLM will add to priority sector advances of the Bank, thus adding a new avenue for catering to needs of entity covered under priority sector finance.

4. Eligible Entities for Co-Lending:

4.1 CLM is applicable to all Scheduled Commercial Banks (excluding Regional Rural Banks, Urban Co-operative Bank, Small Finance Banks and Local Area banks) and all registered NBFCs (including HFCs) for providing competitive credit to priority sector. An application form has been formulated for taking maximum details from NBFC/HFC desirous of having CLM with our Bank as per Annexure-II.

4.2 In terms of the CLM, the banks are permitted to co-lend with all the registered NBFCs including HFCs based on a prior agreement. However, Banks are not allowed to enter into Co-lending agreement with an NBFC/HFC belonging to the promoter group.

4.3 The Master Agreement shall be entered into by the bank and NBFC/HFCs for implementing the CLM may provide either for the bank to mandatorily take their share of the individual loans as originated by the NBFC/HFC in their books or retain the discretion to reject certain loans subject to its due diligence. The bank will take share of the individual loans on a back-to-back basis in the books.

a. If the Agreement entails a prior, irrevocable commitment on the part of the bank to take into its books its share of the individual loans as originated by the NBFC/HFC, the arrangement must comply with the extant guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Bank issued vide RBI/2014-15/497/DBR.No.BP.BC.76/21.04.158/2014-15 dated March 11, 2015 and updated from time to time. In particular, the partner bank and NBFC/HFC shall have to put in place suitable mechanisms for ex-ante due diligence by the bank as the credit sanction process cannot be outsourced under the extant guidelines. (The RBI Circular enclosed as Annexure-III).

b. The bank shall also be required to comply with the Master Directions - Know Your Customer (KYC) Direction, 2016, issued vide RBI/DBR/2015-16/18 Master Direction DBR.AML.BC. No.81/14.01.001/2015-16 dated February 25, 2016 and updated from time to time, which already permit regulated entities, at their option, to rely on customer due diligence done by a third party, subject to specified conditions. (The RBI Circular enclosed as Annexure – IV).

1 Accordingly, the sourcing of the loan / KYC is to be done by NBFC. NBFC shall adhere to applicable KYC / Anti-Money Laundering (AML) guidelines as per extant norms in respective organization as prescribed by Department of Banking Regulation / Department of Non-Banking Regulation. As per RBI direction (Para 14 of Master Direction of KYC vide Master Direction DBR.AML.BC. No.81/14.01.001/2015-16 updated 29 May, 2019), for the purpose of verifying the identity of customers at the time of commencement of an account-based relationship Bank may at their option, rely on customer due diligence done by a third party (here NBFC), subject to the following conditions to be ensured by NBFC.

2 Records or the information of the customer due diligence carried out by the third party i.e. NBFC is to be provided to Bank within two days by NBFC or from the Central KYC Records Registry.

3 Adequate steps are taken by NBFC to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the NBFC upon request without delay.

4 The NBFC is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.

5 The NBFC shall not be based in a country or jurisdiction assessed as high risk.

6 The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the NBFC.

7 Undertaking in the aforesaid regard will be taken from NBFC at the time of tie-up arrangement as mutually agreed between NBFC and Bank.

8 Our Bank shall share products, prescribed minimum threshold viz. CIBIL etc. (or other CICs equivalent score if any) with NBFC in order to align their customer identification with our Bank.

9 In addition to the aforesaid guidelines of this para our Bank officials will also carry out KYC/Due diligence of the borrower.

c. However, if the bank exercises its discretion regarding taking into its books the loans originated by NBFC/HFC as per the Agreement, the arrangement will be akin to a direct assignment transaction. Accordingly, the taking over bank shall ensure compliance with all the requirements in terms of Guidelines on Transactions Involving Transfer of Assets through Direct Assignment of Cash Flows and the Underlying Securities issued vide RBI/2011-12/540 DBOD.No.BP. BC-103/21.04.177/2011-12 dated May 07, 2012 and RBI//2012- 13/170 DNBS. PD. No. 301/3.10.01/2012-13 August 21, 2012 respectively, as updated from time to time, with the exception of Minimum Holding Period (MHP) which shall not be applicable in such transactions undertaken in terms of this CLM. (The RBI Circular enclosed as Annexure – V).

d. The MHP exemption shall be available only in cases where the prior agreement between the banks and NBFC/HFCs contains a back-to-back basis clause and complies with all other conditions stipulated in the guidelines for direct assignment.

4.4 Banks shall not be allowed to enter into co-lending arrangement with an NBFC/HFC belonging to the promoter Group.

4.5 Though RBI has not mandated any specific criteria to be fulfilled by NBFC/HFC (eligible for -CLM as defined by RBI), for engagement with NBFC/HFC, our Bank will enter into CLM with NBFCs/HFC who fulfils the following criteria:

i. NBFCs/HFCs should be registered with RBI and should already be complying with the prudential norms of RBI.
ii. NBFCs/HFCs should be in operation for more than 4 years.
iii. The Net Worth of the NBFC/HFC should be more than Rs.200.00 crore. However, the Net Worth of the NBFC/HFC shall be reckoned at Rs.100.00 crore subject to the condition that such NBFC/ HFC shall be externally rated A & Above.
iv. In preceding two years Net NPA should be below 2.00% and Gross NPA below 4.00% in each year.
v. Minimum Capital to Risk Weighted Asset Ratio (CRAR) of NBFC/HFC should be 15%.

vi. CLM will be entered with only those NBFCs/HFCs which are rated A (Long Term Rating) and above and the rating should not be more than one-year-old as on the date of CLM.

vii. Co-Lending will be entered with only those NBFCs/HFCs which are rated UBC-4and above as per our Internal Risk Rating Policy (RAM –NBFC Risk Model).Internal Risk rating to be carried out by the concern vertical sponsoring the tie up proposal and finalized by Risk Management Department (RMD), Central Office.

viii. Since CLM is a tie-up arrangement with a NBFC/HFC, in view of the same copy of our present Co-lending policy and list of schemes / products may be shared with that NBFC/HFC.

5. **Parameters to be considered:** While entering into any CLM with NBFC/HFC, NBFC/HFC has to ensure that following parameters are complied by them

i. Policies, Processes and Systems – Policies such as Credit Policy, Collateral Management Policy that drive the underwriting and disbursal standards in NBFC/HFC should be well documented. Systems should in place to ensure compliance with the policies, use of technology to track loans and repayment, recoveries, asset values etc., should be in place.

ii. Risk Management – The risk management, sanctioning and underwriting practices (including asset specific practices), write-off and provisioning norms in NBFC/HFC should be in place. In addition to the board supervision there should be a subcommittee of the board looking after robust risk management. NBFC/HFC should have a permanent Chief Risk Officer (CRO).

iii. Management and Governance / Business Continuity Plan – The technical and management experience of key personnel of NBFCs/HFC, the ownership of the NBFC/HFC, presence of independent directors, level of corporate governance, robust Business Continuity Plan in NBFC/HFC needs to be in place.

6. **Financial parameters:** Also on financial front, Bank (the concerned business vertical) will consider analysis of the Financial Performance of the NBFC/HFC on the following parameters

i. Capital – Sources of capital, Tier I and Tier II capital, Capital Adequacy

ii. Earnings – Net Interest Income, Profitability, Cost of Funds and Return on Assets, Non-Interest, Income, Provisioning level.

iii. Assets – Types of Assets, Growth, and Asset Quality measures such as NPA ratios, delinquency profile, and incremental growth in NPA.

iv. Liabilities – Sources of Funds, Asset-Liability Gap Risks, CASA in case of Banks.

7. Loans under CLM:

7.1 Loan under CLM to be provided to Individuals/proprietorship concerns, Partnership firms, Private Limited Companies, closely held Public Ltd Companies (not listed on any stock exchange), are eligible borrowers having quantum from Rs 0.01 crore to Rs 2.00 crore qualifying under priority sector. While approving tie-up with NBFC/HFC, the range of quantum of loan to be mentioned. Any lower / higher quantum of the loan if any, from a particular NBFC/HFC Co-lending agreement needs to be approved by CAC I.

7.2 Only following types of "Term Loans" eligible to be classified as priority sector will be provided under CLM.

- **i.** MSME
- **ii.** Housing Loan (emphasis on Affordable housing loans)
- **iii.** Retail Loan (Other than housing loan as given above).
- **iv.** Agriculture loan
- **v.** Other priority sector loan.

7.3 Under these guidelines, following loan even if covered under priority sector will not be eligible.

- i. Revolving credit facilities (e.g. Cash Credit accounts, Credit Card etc.)
- ii. Other facilities viz. Overdraft (OD), Packing credit / Post shipment, Non Fund Based and Foreign currency loans etc.

7.4 The borrowers under this segment can be given fresh loan separately from the Bank or NBFC/HFC by assessing the proposal on merits. However, fresh loan cannot be given during the currency of the loan already sanctioned under CLM, in other words the fresh loan for same asset/ against same asset can't be given again.

8. Customer related issues:

- i. The NBFC/HFC shall be the single point of interface for the customers and shall enter into a loan agreement with the borrower, which shall clearly contain the features of the arrangement and the roles and responsibilities of NBFC/HFCs and bank.

- ii. All the details of the arrangement shall be disclosed to the customers upfront and their explicit consent shall be taken.

- iii. The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the banks and NBFC/HFCs therein shall be applicable mutatis mutandis in respect of loans given under the arrangement.

- iv. The NBFC/HFC should be able to generate a single unified statement of the customer, through appropriate information sharing arrangements with the bank.

- v. With regard to grievance redressal, suitable arrangement must be put in place by the co-lenders to resolve any complaint registered by a borrower with the NBFC/HFC within 30 days, failing which the borrower would have the option to escalate the same with the concerned Banking Ombudsman/Ombudsman for NBFC/HFCs or the Customer Education and Protection Cell (CEPC) in RBI.

vi. **Interest rates and Chargeability:** The ultimate borrower may be charged an all-inclusive interest rate as may be agreed upon by both the lenders conforming to the extant guidelines applicable to both.

The Interest rate applicable to borrowers under CLM arrangement shall be linked to Card rate or rate negotiated with NBFC. However, the interest rate shall not be below EBLR/MCLR based on the category of advance.

An indicative illustrative for Calculation of Interest rate is as follows:

Scenario 1: Fixed interest rates

	Example 1		Example 2	
Blended interest rate calculations	**Bank**	**NBFC**	**Bank**	**NBFC**
Benchmark Interest Rate	8%	9%	8%	9%
Spread	2%	3%	2%	3%
Interest rate to consumer	10% (A)	12% (B)	10% (A)	12% (B)
Loan contribution ratio	80%(C)	20%(D)	70%(C)	30%(D)
Blended interest rate (A*C)+(B*D)= E	**10.40%**		**10.60%**	

Scenario 2: Floating interest rates

	Example 1		Example 2	
Change in Weighted Average interest rate	**Bank**	**NBFC**	**Bank**	**NBFC**
Benchmark Interest Rate	8% (A)	9% (B)	8% (A)	9% (B)
Loan contribution ratio	80% (C)	20% (D)	70% (C)	30% (D)
Weighted Average Benchmark Interest Rate (X = A*C + B*D)	8.20%		8.30%	
Spread	2% (E)	3% (F)	2% (E)	3% (F)
Weighted Average Spread (Y = E*C+F*D)	2.20%		2.30%	
Weighted Average interest rate offered to customer at the time of disbursement (X + Y)	10.40%		10.60%	
Change in Benchmark Rate	0% (F1)	+1% (G1)	0% (F1)	+1% (G1)
Revised Weighted Average Benchmark Interest Rate X' = [(A+F1)*C + (B+G1)*D]	8.40%		8.60%	
New Weighted Interest Rate (X' + Y)	10.60%		10.90%	

9. Sharing of Risks and Rewards:

Minimum 20% of the credit risk by way of direct exposure shall be on NBFC's/HFC's books till maturity and the balance will be on Bank's books.Considering the 20% minimum skin-in-the-game, the key consideration for the NBFCs/HFCs will be the fact that there is no seasoning requirement in case of lending. The NBFCs/HFCs shall give an undertaking that its contribution towards the loan amount is not funded out of borrowing from Our Bank or any other group company / subsidiary of our Bank. Source of contribution towards co-lending shall be disclosed to the Bank before sanction with proper evidence. Simultaneously Bank will also explore the possibility of obtaining CA certificate from a CA as mutually agreed between NBFC/HFC and Bank to this effect.

10. Priority Sector Status:

The Bank will claim priority sector status in respect of our share of credit while engaging in the co-lending arrangement. However, the priority sector assets on Bank's books should at all times be without recourse to the NBFC.

11. Margin:

Margin as stipulated by our bank in different schemes like housing loan/MSME loan etc., need to be followed by NBFC/HFC also for their share of minimum 20% of the loan amount to order to maintain uniformity in appraisal and assessment.

12. Common Account / Management Information System:

12.1 As per RBI defined mechanism regarding loan balances, the NBFC/Bank shall maintain individual borrower's accounts and should also be able to generate and share a single unified statement to the customer, through appropriate sharing of required information with the Bank/ NBFC.

i. Borrower will be offered a single account to be maintained in core lending solution of NFBC. This particular account is to be used as "Touch Point" of the customer in NBFC. This account will be just reflection (shadow) of the loan accounts being maintained at individually at NBFC/Bank. The transaction in the shadow account will be updated based on the sanction/disbursement/collection data shared by Bank with NBFC or individually on maximum T+2 basis. All information of this account is not to be reported to CICs as its just dummy in nature and a reflection of the collective data of Bank/NBFC.

ii. Bank and NBFC will be maintaining respective individual account (their own share) in their core banking/lending solutions. This account will use as monitoring purpose only. This account will be reported to CICs respectively by Bank/NBFC as per set mechanism. NBFC to make borrower aware of this mechanism at the time of conveying sanction to borrower.

iii. In our core banking solution account originated through co-lending will be tagged (Code will be created NFBC wise).

iv. DIT in co-ordination with team of staff from Co-Lending & Pool Buyout vertical / MSME / Agri Business /CCM /CRD /MIS/RBD /RMD / LCV Co-Lending Processing Cell, Mumbai and respective NBFC to finalize the logic and data sharing modalities in form of Application Program Interface (API) or any other mechanism in compliance to norms of the bank duly protecting bank data and privacy right.

12.2 NBFC shall submit the reports as complete data will be available with the NBFC as and when called for by the Reserve Bank of India or any other statutory/regulatory agencies.

13. Other Operational Aspects:

13.1 Bank and NBFC/HFCs shall maintain each individual borrower's account for their respective exposures. However, all transactions (disbursements/ repayments) between the banks and NBFC/HFCs relating to CLM shall be routed through an escrow account maintained with the banks, in order to avoid inter-mingling of funds. The Master Agreement shall clearly specify the manner of appropriation between the co-lenders.

13.2 The Master Agreement may contain necessary clauses on representations and warranties which the originating NBFC/HFC shall be liable for in respect of the share of the loans taken into its books by the bank.

13.3 The co-lenders shall arrange for creation of security and charge as per mutually agreeable terms.

13.4 Each lender shall adhere to the asset classification and provisioning requirement, as per the respective regulatory guidelines applicable to each of them including reporting to Credit Information Companies, under the applicable regulations for its share of the loan account.

13.5 The loans under the CLM shall be included in the scope of internal/statutory audit within the banks and NBFC/HFCs to ensure adherence to their respective internal guidelines, terms of the agreement and extant regulatory requirements. Audit and Inspection, CO to incorporate appropriate aspects in scope of Concurrent Audit and Internal Audit for carrying out Audit of loans under Co-lending.

13.6 Any assignment of a loan by a co-lender to a third party shall be done only with the consent of the other lender.

13.7 Both the banks and the NBFC/HFCs shall implement a business continuity plan to ensure uninterrupted service to their borrowers till repayment of the loans under the co-lending agreement, in the event of termination of co-lending arrangement between the co-lenders.

13.8 Further at the time of submission of proposal/application to our Bank by NBFC after their sanction/in-principal approval, it is to be specified by the NBFC/HFC that the proposed loan/s was not rejected by the Bank (under co-lending tie up with the subject NBFC &other Bank) or NBFC itself earlier.

13.9 **Exit Clause:** In case either Bank or NBFC/HFC wants to exit the agreement (only for new business), 30 days' prior notice should be served to the other party.

13.10 CERSAI Registration (if applicable) will be done by NBFC/ HFC. NBFC/ HFC shall share the CERSAI ID print out with the Designated branch who will ensure that CERSAI asset ID and date of mortgage are entered in CBS.

13.11 CGTMSE cover (if applicable) is to be obtained by the NBFC/ HFC for entire loan amount and Branch to ensure marking the appropriate CGTMSE flag as "YES/NO" in individual borrower account. A certificate that all eligible loans have been covered under CGTMSE is to be submitted every quarter by the auditor of the NBFC/ HFC.

13.12 Interest subvention if any applicable, shall be claimed by the NBFC/ HFC concerned and the claim amount is to be shared in the ratio of loan sanctioned by the NBFC/ HFC and Bank. The subvention amount has to be credited to the Collection Account and from there it is to be credited to the borrowers account in respective lending ratios between Bank and NBFC/ HFC.

13.13 Scorecard for Co-Lending under Loan Against Property (LAP) is already in place (approved by CRMC). While implementing any other product under co-lending a separate score card to be developed and same to be approved by CRMC.

14. Monitoring of end-use of loan:

NBFC shall obtain a certification on "End-use of loan" loan which will be shared with the Bank for record-keeping. The same is to be supported by statement of a/c reflecting payment to supplier envisage during sanction of loan and tax invoice issued by the said supplier. If any instance is noticed that funds are used for the transactions not related to the business of the borrower for which Term Loan is allowed to the borrower, the NBFC to recall the credit facility.

15. Monitoring & Recovery:

15.1 Annual review of the portfolio of NBFC/HFCs shall be undertaken by respective vertical based on the sectoral exposure before extending any fresh or additional lending.

15.2 RBI has mandated to create a framework for day to day monitoring and recovery of the loan as per mutually agreed terms. In view of the same we hereby propose following modalities.

i. NBFCs/HFCs shall ensure that their Board approved policy for Recovery is in place with regard to Code of Conduct by field staff and systems for their recruitment, training and supervision.

ii. The data of our share in co-lending will be available with us and as all the parameters will be equivalent to the individual account being maintained at NBFC,and sign of stress in the account will also exist in the account of the NBFC also and subsequently being reflected in dummy account being maintained for customer interface also.

iii. The bank will monitor on an ongoing basis and in timely manner performance of the borrower (our share).An alert will be given to NBFC in case of any delinquency observed to contact the borrower for repayment of dues etc. A mechanism will be developed by DIT wherein in case of stress in the individual account a letter/alert is generated in addressed to respective NBFC for the overdue/stress in the account. An independent follow up may also be made by the Bank for recovery of dues.

iv. The monthly feedback report from the NBFC shall provide such information to facilitate timely detection of signs of weaknesses in individual accounts and identification of non-performing borrowers. The report shall provide exposure type, the percentage of loans in more than 30/60/90 days past due etc. NBFC will share this report respective vertical for a class of asset, verticals will share the same with FGM/RH for onward information.

v. Depending upon the size of the portfolio, credit monitoring procedures with suitable modification as suggested by Bank time to time may include verification of the information submitted by borrower to NBFC by the bank's concurrent or internal auditors. The agreement with the originator shall provide for such verifications by the auditors of the bank. All relevant information and audit reports should be available for verification by the officials of Banks.

vi. In case of any restructuring of the loan during standard / NPA category, the same shall be approved as per extant guidelines on delegation for restructuring.

16. Exposure ceiling:

The maximum cap fixed for any NBFC under this arrangement is fixed at Rs.400.00 crore. At any point of time, the aggregate outstanding loans should not exceed Rs.400.00 crore. However, based on the balance sheet size, market coverage, past track records, higher outlay with any particular NBFC may be considered. Any deviation in this regard should be placed before CAC-I for approval.

17. Delegation of Powers:

17.1 Loan under CLM is to be sanctioned by respective delegatee as per Policy on Delegation of Loaning Powers.

However, for engagement of particular NBFC/HFC for CLM, the delegation shall vest with CAC-I. Large Corporate Vertical shall process the proposal as per cut off limit prescribed in Loan Policy jointly with Credit Vertical (Co-Lending & Pool Buyout Vertical). Any agreement for engagement of NBFC/HFCto be made in line with this policy will be vetted by Law Department.

17.2 The Chief General Manager /General Manager/ Deputy General Manager of the Co Lending & Pool Buyout Vertical is the competent authority for signing the tie-ups, signing of agreements with NBFCs/HFCs etc after following the due processes.

17.3 The concept of co-lending is new for entire banking industry. In view of ever changing and varied requirement of NBFCs/HFCs, some relaxations/deviation may be required for a particular tie-up with a particular NBFC for co-lending. As all the tie up will be made at Central Office level only by CAC-I, to have flexibility in any decision making any deviation (relaxation) to the norms for co-lending from a particular NBFC/HFC as given in this policy needs to be approved by CAC I.

17.4 A Straight through process (STP) shall developed to ensure immediate disposal of the proposals received from NBFC and to achieve efficiency without compromising quality and compliance by involving all the user verticals namely MSME, RABD and FIG. The STP shall include verification of the application, KYC, eligibility and compliance of the policy guidelines and complete the sanction process.

17.5 Upon finalization of Straight through process (STP), the same shall be placed before CRMC for approval.

18. Collection & Recovery through Escrow Account

a. Monitoring and recovery will be done by the NBFC/ HFC.

b. Recovery effected will be credited the same day by NBFC to the Collection account with the Bank. Under special exigencies, NBFC can credit maximum on a T+1 basis.

c. NBFC shall share the MIS giving details of individual account numbers and amount to be credited as per mutually agreed terms.

d. Credit from current account, to individual loan accounts will normally be afforded the same day or with value date on T+1 basis from the date of deposit by NBFC in current Account.

e. The recovered amount will be credited into the individual loan accounts of the borrowers maintained with the Bank & NBFC's share of recovered amount will be credited accordingly as per the agreed terms.

f. Close monitoring of Collection Account to be done by the Designated Branch to ensure that these accounts are reconciled on daily/ periodical basis.

g. An oversight of these accounts will be done by the respective credit vertical to ensure that the payments are adjusted on T+1 basis (with value date).

19. NPA Management

a. As permitted under Co-lending, Banks and NBFCs can adhere to the asset classification and provisioning requirements as per the respective regulatory guidelines applicable to each of them.

b. Designated Branch will identify the overdue accounts as per Bank's present IRAC status and advise the NBFC to follow up and make recoveries for regularizing these overdue accounts.

c. Designated Branch to initiate following steps, once an individual loan account is classified as NPA as per the IRAC norms of the Bank:

i. Check the correctness of Principal outstanding and status of application of interest and also status of A/c with NBFC.
ii. Obtain monthly follow up report from NBFC stating reason for NPA and status of action taken thereof.
iii. Conduct monthly meeting with Collection/Recovery team of NBFC.
iv. Overall responsibility for control and monitoring of these Co-lent loans, maintaining asset quality shall remain with respective credit vertical.
v. In case loan outstanding in NPA account is up to Rs 20 lakh, designated branch has to initiate action and serve notice under SARFAESI Act (wherever applicable) as per Bank's extant guidelines (for any clarity services of Legal Services Division to be obtained) .
vi. In case of loan outstanding is above Rs 20 lakh, action under SARFAESI Act (wherever applicable) will be initiated by NBFC. Branch to obtain the copies of 13 (2), 13 (4) and other related papers from the Co-lender within 15 days from date of initiation of action in NPA account.

d. Under no circumstances NBFC can unilaterally enter into compromise/settlement or write off process in respect of co-lent loans including his own share. In respect of NPA accounts where recovery aspect is bleak, only Bank can initiate such process as per Bank's extant guidelines with the help of NBFCs.

20. General Guidelines on KYC & Account Opening:

a. For opening of loan account, CIF number is to be generated.
b. KYC Guidelines in terms of RBI circular no RBI. /DBR/2015-16/18 Master Direction DBR.AML.BC. No.81/14.01.001/2015-16 dated 25.02.2016 and updated from time to time should be adhered by bank and NBFC.
c. The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the Bank as the Regulated Entity (RE).
d. The NBFCs will need to share the KYC documents with the Bank along with CKYC details wherever applicable/available.
e. To facilitate account opening NBFC can also use video KYC functionalities whenever the facility is made available.
f. **Reconciliation of Bank Accounts:** NBFC should reconcile its mirror account(s) with Bank account(s) on a monthly basis and reconciliation statement should be submitted to the Designated Branch. Appropriate action should be taken to reconcile the account(s) if there is a difference. An overall monitoring of reconciliation of these accounts will be done by respective credit vertical.

g. **Checklist for compliance in case of Property is taken as security:**

i. NBFC has to confirm that there is no prior encumbrance on the property proposed to be mortgaged through CERSAI search.
ii. In case of all loans, where SARFAESI compliant property taken as primary/collateral security, only those accounts will be accepted for appraisal where NBFC has ensured meticulous compliance of the procedure on Bank's prescribed format.
iii. Valuation of security shall be as per extant guidelines.
iv. Equitable/Registered Mortgage of the property has been done by NBFC.

v. If any fraud angle is suspected, NBFC to be advised to go for Property verification, obtention of NEC and Title search/ verification report immediately.

21. Centralized Processing Cell (CPC) for Co-Lending

a. In order to have seamless operations of specialized activity under Co-lending, a dedicated Centralised Processing Cell (CPC) for Processing & Sanctioning of Loans is set-up by the Bank.

b. MS Marg, Mumbai Branch is identified as Centralised Processing Cell (CPC) for Co-Lending.

c. The NBFCs under the Co-Lending Model (CLM) sources the loan proposals from all locations in India and forwards to the Bank from their Centralized Location. On behalf of the Bank, CPC shall undertake Loan proposals Acceptance, Disbursement, Monitoring and Reconciliation.

d. The processing cell shall be headed by Chief Manager/ Assistant General Manager for having focused approach on growth of business under CLM.

e. **Role Of Dedicated Centralized Processing Cell For Co-Lending**

Head of the Cell: The dedicated cell in M S Marg Branch will be headed by Chief Manager/AGM. The next higher authority will be RLCC-I/II at Regional Office. (In case delegation of sanction is vested with head of co-lending cell, RLCC at RO to be considered as next higher authority).

Role of Cell: For smooth implementation of the CLM a Standard Operating Procedure (SOP) will be designed for each tie up by respective credit vertical. SOP will be framed within the framework of Policy guidelines and terms and conditions of tie up as approved by CAC-I. Tie up specific SOP is required as different assets class are proposed to be financed under CLM and the nature of tie up may differ between lending partners. Accordingly, Head of respective vertical (CGM/GM) are proposed to be competent authority for approving the SOP for a particular tie up. The SOP is necessarily to consist of following process/activities/parameters:

i. KYC compliance and Due Diligence
ii. Loan Sanction
iii. Disbursement of Loan
iv. Post Sanction process
v. Collection
vi. Reconciliation of Escrow Accounts
vii. Post Disbursement Servicing
viii. Inspection
ix. Monitoring & Recovery Mechanism
x. Reporting requirement

Under the CLM after disbursement made by NBFC, the case will be pushed to our Bank through Tech Platform or through other mode till tech platform is ready. Intimation for the same would be given to Bank official through email. Centralized processing cell for co-lending will download and scrutinize the entire loan related documents/ information from the Tech Platform or other mode. The activities, in brief to be handled by the Cell are detailed as under:

i. To download and verify all documents applicable to a particular category of borrower.
ii. To check the documents submitted by the NBFC and confirm that same is as per checklist.
iii. Discrepancies, if any, to be intimated to NBFC through tech platform (through mail or other mode of communication till the time tech platform is not developed). NBFC to revert to the satisfaction of BANK. (Bank is in the process of developing a Tech Platform for managing end to end digitized process of Co-lending in existing LAS Platform. This process will involve transmission of documents, scoring, underwriting, sanctioning.)
iv. To ensure that loan proposals submitted by NBFC should be in line with the guidelines of our scheme designed for Co Lending Model and the underwriting standards of the Bank.
v. Each Loan application will be appraised by the cell and will accord sanction or rejection as per assessment, underwriting requirement and delegated authority framed for the co-lending arrangement with NBFC.
vi. Details of sanction should inter alia include loan amount, Bank's rate of interest, tenure, EMI amount, security details etc.
vii. In Case of Rejection the reasons to be mentioned in the LAS Screen (through email till platform is ready) which will pass on to NBFC.
viii. Legal vetting of the assignment deed from a panel advocate of the Bank after receipt of the assignment deed document and disbursement of bank's share within a period of 3 working days.
ix. Account opening for each loan account and disbursement of loans to Escrow account. Maintenance of Escrow accounts (Two escrow accounts for disbursement and collection is proposed for each NBFC under tie up). Reconciliation of Escrow accounts.
x. Post disbursement inspection for 10% of total sanctions by number done randomly and share the report with NBFC and original report to be kept at the Bank.
xi. Annual review of accounts disbursed under CLM.

f. **Processing**: Currently, SARAL/ULPs are processing loan applications generated in a particular Region. However, co-lending activities will be undertaken for business generated Pan-India by NBFCs. Hence, to meet the TAT and uniform standards/minimum activity under Co-lending by Bank, the underwriting process through the SARAL/ULP shall be separated and undertaken by the dedicated CPC for CLM. For uniform and quick disposal/decisions all proposals sourced by NBFC shall be appraised by Centralized Processing Cell for Co-lending activities. Every lead received by the bank from the NBFC for acceptance and disbursement will pass through two employees of the CPC i.e. Maker and Checker. The Processing Cell will process all proposals pertaining to all verticals.

g. **Delegation of Loaning Powers to CPC for Co-Lending activity:**

i. As per the existing guidelines, Co-lending by Banks & NBFC/HFC to Priority sector lending" Loan under CLM upto Rs.2.00 crs qualifying for priority sector are to be considered under CLM. However, CAC-I may consider amount above Rs.2.00 crore on case to case basis at the time of approval tie-up. The below delegation will be used only for sanctioning of Loan under Co-Lending Model only:

The delegation power for sanction of Loan under CLM with Processing Cell In-charge for Co-lending activity.

(Rs. in Crs)

Category of Advance	Scale of CPC In charge	
	IV	V
MSME Loans	2.00	5.00
Retail Loans (Mortgaged Based)	0.75	2.00
Other Loans (including Agriculture)	2.00	5.00

ii. **Next higher authority**: For sanctioning of any loan, in cases, where the requirement is for obtaining approval from next higher authority due to relaxation/deviation or for higher amount beyond the delegation of CPC In-charge for Co-lending, will be AGM Headed RLCC-I/RLCC-II or in the absence of AGM Headed RLCC, DGM Headed RLCC-I at Regional office.

As next higher authority, delegation of RLCC for sanction under Co-lending Model will be as under:

(Rs.in Crs)

	RLCC at Regional Office Headed by Scale V or VI
MSME Loans	5.00
Retail Loans (Mortgaged Based)	2.00
Other Loans (including Agriculture)	5.00

22. INDICATIVE STANDARD OPERATING PROCEDURE

Definitions & Abbreviations:
In this Policy and Standard Operating Procedures (SOP), unless the context otherwise indicates or requires, the following terms shall have the meanings assigned to them hereunder:

Term	Meaning/Definition
Bank	Union Bank of India, a body corporate constituted under Banking Companies (Acquisition and Transfer of Undertakings) Act 1970 having its Head Office at Mumbai.
Business Day	A working day (not being Sunday) on which banks are open for general business.
Co-Lending Circular	Circular bearing reference number FIDD.CO.Plan.BC.No.8/04.09.01/2020 dated November 5th, 2020 issued by RBI thereby formulating norms for a co-lending model between banks and non-banking financial companies for priority sector lending to be read with RBI latest/revised circular on Direct Assignment of underlying assets.
Co-Lending Model	Model 2 of Co-lending model as envisaged under the Co-Lending Circular, agreed to be followed by the Bank and Name of NBFC/ HFC in terms of the Transaction Documents.
Collection Account	Current Account to be opened for the purpose of receiving collections from the Borrower(s)/ Obligor for payment and/or repayments by the Borrower/s/ Obligor in connection with the relevant Credit Facility to be operated & controlled by Name of NBFC/ HFC
Collected Amounts	Any other amounts being amounts to be received in accordance with the terms of the Financing Documents, including but not limited to the Prepayment proceeds
Credit Facility	Loan granted to a Borrower by HFC, wherein the Bank has acquired right, title and interest of Name of NBFC/ HFC pursuant to the Co-lending Model, in the

Term	Meaning/Definition
	manner as may be mutually agreed between the Parties under the Transaction Documents.
Disbursement Account	Disbursement account in favour of NBFC wherein Bank is required to transfer the Sale Consideration
Eligibility Conditions	Criteria which a prospective Borrower must fulfill, for the purpose of Bank to acquire the right, title and interest of Name of NBFC/ HFC in the Loan(s) pursuant to the Co-lending Model
NBFC/ HFC	Name & Address
Funding Ratio	__: __, wherein Name of NBFC/ HFC share shall be __% and Bank share shall be ___% of the Credit Facility.
Loan	Financial facility granted to the Borrower(s) by Name of NBFC/ HFC which satisfy the Eligibility Conditions.
Sale Consideration	Aggregate purchase consideration for the Housing Loans, acquired by the Bank from Name of NBFC/ HFC under each Assignment Agreement(s) entered between the Parties.
Servicer	Shall mean Name of NBFC/ HFC, having been appointed by the Bank as the Servicer inter alia to manage, collect and receive payment of the Receivables, to deposit the Assigned Receivables in the Collection Account and to provide certain other services, including realisation of Receivables Name of NBFC/ HFC has agreed to be appointed as the Servicer.
Transaction Documents	Collectively the Co-Lending Agreement, Product Policy and Standard Operating Procedures, Collection Escrow Agreement, any other document or agreement executed between the Bank and Name of NBFC/ HFC in relation to the Co-Lending Model.

Indicative Standard Operating Process

Sr. No.	Parameter	NBFC	Bank
1	Income Appraisal	• Direct Selling Team (DST) Logs the file with all the necessary documents. • Direct Selling Team (DST) get the Salary Slip/ certificate or ITRS and Bank verification done. • CM(Credit Manager) reviews the application and eligibility computation. • CM to do the PD(Personal Discussion) with the customer and initiate applicable verifications • CM recommends the case to the approval authority if it's not in their limit.	Designated Branch to process the proposal as per extant Scheme guidelines with permissible deviations if any.
2	Loan Approval	• Soft Approval done by CM (Credit Manager) or recommends the case for approval to authority as per policy.	Approval/rejection will be communicated to NBFC within the given Turn Around Time.
3	Technical verification	• In-house technical Manager/ external technical vendor	In house valuation report of NBFC/ HFC or valuation report

Sr. No.	Parameter	NBFC	Bank
		(depending on type of transaction & loan quantum) to visit the location of the actual property and place a report of visit with date; • A copy of Photograph of Immovable Property shall be retained; • Evaluation of property shall be carried out by interacting with local people; • Endeavour to confirm the genuineness of Immovable Property by asking in the neighbourhoods;	of external valuers/ agencies provided by NBFC / HFC can be accepted by the Bank under the co-lending model, subject to the below condition: i) The Loan ticket size (Single Loan A/c) is up to Rs 30.00 lakh. ii)The valuation report (s) to be supported by technical qualification, name & designation of valuer. To facilitate obtention of valuation report for the loans above Rs 30.00 lakh, the branches handling the co-lending portfolio shall empanel the valuers of NBFC/ HFC etc with the approval of RLCC-I linked to the said branch. While empanelling, the RLCC will follow the existing guidelines for empanelment of valuers for financing credit facilities under Co-Lending model. Till such time of empanelment of valuers under co-lending model, for loans above Rs 30.00 lakh, the services of Bank's empanelled valuers to be used. Any relaxation / waiver can be permitted by sanction authority on case to case basis. Gold loan valuation shall be as per industry practice. Further, as a measure to minimize the risk, it shall be ensured that Bank selects around 5% to 10% of the loans sanctioned under this model

Sr. No.	Parameter	NBFC	Bank
			where the valuation reports are obtained from the agencies approved by NBFCs/ HFCs. Such Valuation report(s) will be vetted by Bank's empanelled valuer for its genuineness and acceptability and the same will be reviewed on quarterly basis for continuing this facility.
4	Legal verification	• In house legal team conducts search for past 13 years on title of property and basis search of the property, legal opinion is formulated.	Legal opinion from in house team of NBFC/ HFC or external advocate/ legal firm provided by NBFC / HFC can be accepted by the Bank under the co-lending model, subject to the below condition: i) The Loan ticket size (Single Loan A/c) is up to Rs 30.00 lakh. ii) The legal opinion/ report to be supported by technical qualification, name & designation of valuer. To facilitate obtention of legal search report for the loans above Rs 30.00 lakh, the branches handling the co-lending portfolio shall empanel the advocates of NBFC/ HFC etc with the approval of RLCC-I linked to the said branch. While empanelling, the RLCC will follow the existing guidelines for empanelment of advocates for financing credit facilities under Co-Lending model. Till such time of empanelment of advocates under co-lending model, for loans above Rs 30.00 lakh, the services of Bank's empanelled advocates to be used. Any relaxation / waiver can

Sr. No.	Parameter	NBFC	Bank
			be permitted by sanction authority on case to case basis. However, it must be ensured that where the NBFC/ HFC uses internal valuer/ legal team no charges are paid by Bank to NBFC for doing the valuation/ legal work. Further, as a measure to minimize the risk, it shall be ensured that Bank selects around 5% to 10% of the loans sanctioned under this model where the legal opinions are obtained from the agencies approved by NBFCs/ HFCs. Such Legal opinion(s) will be vetted by Bank's empanelled advocate for its genuineness and acceptability and the same will be reviewed on quarterly basis for continuing this facility.
5	Final Sanction	• Final sanction is accorded in NBFC /HFC system basis legal & technical accord on soft sanction	CLM Branch to communicate the sanction within the TAT time
6	Disbursement	✓ DST completes documentation as under: ✓ Final sanction letter signed by the borrower ✓ Loan Agreement ✓ Cancelled Cheque ✓ ACH/E-NACH mandate form ✓ OPP (original property papers) ✓ Insurance, as applicable • Disbursement documentation checked by the credit operation • Final disbursement is done	The disbursement is subjected to receipt of tranche wise regd. assignment deeds with all the documents executed/agreement entered into by NBFC with the borrower.
7	Security Creation	Ensure security perfection in individual Home Loan accounts/ credit facility by following: • Equitable Mortgage/Registered mortgage, as applicable, for Housing Loan on the security favouring NBFC/ HFC, as per	Document supporting EMG /registration of MOD as applicable on the property held as security to be furnished for each transaction.

Sr. No.	Parameter	NBFC	Bank
		the underlying loan agreement with the Borrower • Create ROC charge (where applicable) and CERSAI intimation in favour if NBFC/ HFC within prescribed stipulated time of the underlying loan agreement with the Borrower.	Charge creation with CERSAI has to be furnished to bank with in the stipulated time.
8	Sharing of Information with Bank	• Post applying necessary parametric check, data is shared to the bank as per the approved format based on the policy. • Post due diligence by bank Assignment documentation completed	NBFC to share data in relation to monthly repayments, loan balances, penal charges, overdues held in each obligors accounts. NBFC to share information relating to recovery actions initiated such SARFAESI and filing of suit rescheduling/restructuring with the obligors from time to time. Post due diligence to carried out the Bank on random basis as per the stipulated percentage of portfolio.
9	Approval by Bank		• Bank process and gives accord for the case to case based on policy norms. • On accord, Assignment documentation is executed between bank & HFC
10	On boarding cases in the bank	HFC to share data fields for opening of bulk accounts in bank's format	Bank creates individual customer account for its share of exposure at ROI as agreed between bank & HFC
11	Fund Transfer by Bank		Post approval and creation of loan account in the bank, bank disburses its share of loan to HFC through Disbursement account maintained with branch.
12	Repayment	NBFC/ HFC will be responsible for doing collections, through various modes like NACH, PDC, SI, etc. Post disbursement, NBFC/ HFC will	Bank will apply amount received basis value date as specified in report shared by HFC in applicable individual account

Sr. No.	Parameter	NBFC	Bank
		initiate transfer of repayment/ prepayment in collection escrow account along with necessary report with loan account details for arranging credit to respective loan account directly The proportionate share will be remitted to bank on a T+1 basis	
13	Collections process	Delinquent cases are getting allocated to • Call Centre (all X bucket cases) • Field collection (Bucket 1 and above) for effective collection of cases Collection shall be split between bank & NBFC/ HFC as per respective dues on respective of share of loan at applicable ROI	Periodical review will be taken up the branch on the delinquent cases relating to recovery of dues Collections received will be appropriated as per respective share.
14	Foreclosure of loan/ part payment	Foreclosure of loan • After getting loan closure request from customer, NBFC/ HFC will intimate Bank to share o/s amount against that customer's loan in Bank's system. • NBFC/ HFC will accept foreclosure amount from customer and process closure post clearance of the o/s dues. • NBFC/ HFC will inform bank about loan closure along with transfer of fund as per respective share. • Post closure, NBFC/ HFC will initiate release of property papers Part payment • On request of customer, NBFC/ HFC will accept part payment amount from customer. Broken period interest is collected upfront and the part payment gets applied basis the value date i.e. Credit date in Bank account. • NBFC/ HFC will inform Bank about part payment request along with transfer of fund and applicability in repayment.	Bank to share o/s amount for closure of loan. After receiving payment, Bank to close the loan accounts in their system and confirm to NBFC/ HFC. After receiving part payment (less than EMI), Bank to provide impact on EMI/Tenure, basis communication from NBFC/ HFC in their system and confirm to NBFC/ HFC In case of requests for part payment (less than EMI) is received from obligor information to be shared, on case to case basis, with the bank on the status of the obligor's account till regularization/ recovery of receipts of short payments.

Sr. No.	Parameter	NBFC	Bank
		NBFC/ HFC will share the details in mutually agreed format. NBFC/ HFC will also inform Bank about impact of part payment on EMI/Tenure.	
15	Asset classification	Asset classification and provisioning requirement, as per the respective regulatory guidelines shall be applicable	
16	Recovery of Loan on Slippage	In case of continuous defaults, in case of, NBFC/ HFC will undertake in all possible recovery options available to them under various sections of various Acts, etc. on behalf of both Bank and NBFC/ HFC for the entire amount. Legal is involved in Collection process for following actions: • Dunning Notice: • Demand Notice: • Section 138 notice • SARFAESI proceedings • 13(2) • 13(4) • Symbolic Possession notice • Physical Possession of the property • Auction of Collateral Repossession sale accounting will be done at 100% in NBFC/ HFC books, since the GST liability will be paid by NBFC/ HFC to government. Authority and Tax invoice on the new buyer will be raised by NBFC/ HFC • NBFC/ HFC will transfer share of basic sale value to bank as per agreed terms.	Bank to make necessary entry in its books
17	OTS/ Restructuring	• NBFC/ HFC to submit the list of cases where OTS/ Restructuring is required in the prescribed format with OTS amount/ revised structuring • The committee from NBFC/ HFC & Bank to decide on customer's request • The minutes of the meeting should be documented and circulated. • Post approved necessary entries	• Bank to formulate committee to decide on OTS & restructuring along with NBFC/ HFC • Confirm the minutes of the meeting with in two working days • Making necessary changes in the system once receipt of information from NBFC/ HFC.

Sr. No.	Parameter	NBFC	Bank
		will be passed after the receipt of funds as per the arrangement and details shared with the bank with banks share of funds.	
18	Terminal Losses	Will be shared in same proportions as that of the funding ratio	
19	CIBIL or any other credit bureau Reporting	• Bureau reporting for the full loan amount will be done by NBFC/ HFC.	NBFC/ HFC to report periodically to CIC on the health status of the obligors accounts.
20	Document management	• Documents are sent to Central storage from branches post disbursal, gets scanned and stored. • Access of Scan documents shall be shared with the bank. • Inventory reconciliations and Sample checking of Stored Documents at storage happens in periodic intervals	As per service agreement, NBFC/ HFC to manage custody the underlying loan documents. Undertaking to be obtained from NBFC/ HFC that these documents are made available to banks internal/external inspections as and when requested by the Bank.
21	CERSAI & CKYC	• Data shall be shared with BANK post creation/ satisfaction of security interest along with Security/Asset ID • Status of CKYC will be shared with BANK at regular interval	Status of CERSAI charge creation and CKYC has to be shared by NBFC within one month of execution of assignment deed.
22	Reconciliation	It will be mainly related to • Receivable payable report • Loan outstanding • Closure and part payment Overdue	Necessary changes, as identified during reconciliation to be executed by bank
23	Statutory obligation	Monitoring by NBFC/ HFC Compliance Dept. for Statutory compliance related to compliance of NHB Guidelines, GST, TDS, Issuance of Annual Interest certificate to customers, reporting of CTR Transactions.	Bank has to comply with all the statutory obligations relating to GST/TDS and application interest.
24	Customer service	All requests/ grievances/ communication related to customer shall be managed by NBFC/ HFC solely	Bank to direct any request received from the customer to Name of NBFC/ HFC
25	Delayed payment Interest	NBFC/ HFC shall allow a grace of 5 days from due date for remittance to customer, post which NBFC/ HFC shall apply penal charge towards customer's delay. On receipt toward penal charges, proportionate share shall be split	Bank will credit the amount to the customer account on receipt of funds

Sr. No.	Parameter	NBFC	Bank
		with bank	
26	Other Charges	All other charges like documentation charges, services charges, legal and technical charges, stamping charges, cheques/ NACH bouncing charges, PDD storage charges etc. are to be realized by NBFC/ HFC only as they will be the sole services providers. Such charges are not to be shared with Bank.	Other charges are as permitted by sanctioning authority
27	Interest subvention	Interest Subvention to claimed and collected by NBFC for and on behalf of PMAY LIG/MIG customers to be shared as per lending ratios.	Bank to appropriate the subvention amounts as per lending ratios to the respective obligors accounts.
28	Treatment of TDS	Customer may deduct TDS on interest amount paid to NBFC/ HFC. In such instances NBFC/ HFC will take entire credit in its account and not impact payment of respective share in dues to bank.	As permitted by sanctioning authority

Process distribution

S. No	Details	Responsible Partner
1	Application sourcing	NBFC/HFC
2	KYC & Credit Assessment	NBFC/HFC
3	Filter against co-agreed / pre-defined parameters with Bank for assignment under Co-lending Model	NBFC/HFC
4	Sanction Letter Issuance	NBFC/HFC
5	Borrower level Loan Agreement	NBFC/HFC
6	Escrow Account Management (Opening and Rights of operation)	Opening – Bank Rights of operation - NBFC/HFC
7	Creation and maintenance of the Borrower 100% Loan Statement of Account	NBFC/HFC
8	NACH/ENACH registration for EMI Collections	NBFC/HFC
9	PMAY Subsidy Claim	NBFC/HFC
10	Mortgage / Security charge creation	NBFC/HFC
11	Docket & OPP storage and retrieval	NBFC/HFC
12	Product wise Data sharing with Bank - the assignable pool for DA Transaction underwriting	NBFC/HFC
13	DA Transaction underwriting	Bank
14	DA Agreement execution	Bank & NBFC/HFC
15	Sale consideration proceeds payment through the Disbursement Escrow Account	Bank
16	Borrower level Loan details at Funded Ratio as per Data File	Bank

S. No	Details	Responsible Partner
	shared by HFC	
17	NACH/ENACH Lodgement for Collection of EMIs into the Collections Escrow Account	NBFC/HFC
18	Sharing of payout format	Bank
19	Sharing of "Payout data File" with Bank; for Bank to update Borrower records of payments received	NBFC/HFC
20	Customer Service	NBFC/HFC
21	Post Disbursal Monitoring	NBFC/HFC
22	Post NPA / Legal Proceedings	NBFC/HFC
23	Repossession of Assets	NBFC/HFC
24	Monthly account wise recon / query resolution	NBFC/HFC
25	Credit Guarantee Claims / Insurance Claims	NBFC/HFC

COMMERCIALS

Rate of Interest Receivable by Bank	______ %
Processing Charges	______
Service Charges Payable by the Bank	______ % or Actuals
Other Service Charges	

DURATION AND TERMINATION

- Procedures shall continue in full force and effect until all Dues have been realised in accordance with the terms of the Financing Documents.
- NBFC/ HFC in its capacity as the Servicer shall have a continuing obligation in respect of managing, collecting and receiving the Dues and providing other services stated herein for and on behalf of the Bank, unless the Bank terminates NBFC/ HFC's obligation in its capacity as the Servicer by 3 months prior notice in writing.

BUSINESS CONTINUITY

The guiding principles of BCP in case of any disruptive / Force Majure events impacting co lending would be built around following:

Particulars	Lender Level	Borrower Level
I. Policy	Both entities declare to have robust BCP in place to protect customer records, data record backup and ability to retrieve records and data	Notwithstanding termination of CLM Master Agreement, both Lenders agree and acknowledge that Borrower servicing shall be rendered by NBFC/ HFC till each loan originated under this CLM agreement is completely repaid or settled.

Particulars	Lender Level	Borrower Level
II.Implementation	Within their BCP strategy have provisioned for alternate / remote working mechanism for customer service as per extant circular including but not limited to digital / website / tele methods, etc of servicing co-lending customers	Customers would be informed of alternate sources / emergency contacts if required in case of BCP been invoked
III. Effect	Both Lenders hereby state and attest that a Testing of their BCP plan has been done as per internal policies successfully	Not Applicable

Miscellaneous

- NBFC/ HFC shall not make any distinction in its collection efforts and follow up actions on the Credit Facilities that of its own portfolio of similar contracts.
- No modification, alteration or amendment of these Procedures shall be valid unless signed by or on behalf of the Parties.
- The Procedures shall be binding upon, and ensure to the benefit of the Bank and NBFC/ HFC and their respective successors and assigns;
- If by the terms of the Procedures, any act would be required to be performed on or within a period ending on a day which is not a Business Day, then it shall be performed, on or by the immediately next Business Day.
- Any charges for the transfer of funds shall be borne by NBFC/ HFC.

Note: The parameters defined in indicative Standard Operating Procedure (SOP) may be made part of the Master Agreement with mutual consent of both the parties i.e. Bank and NBFC/HFC. Also note that the SOP is only indicative in nature. Any modifications/ alternations can be adopted by Bank & NBFC/ HFC based on mutually agreed terms.

Part B: Policy on Co-lending by Bank & NBFCs/HFC to Non-Priority Sector

23. Guidelines on Co-Lending by Banks & NBFCs / HFCs to Non-Priority Sector

23.1 The guidelines for 'Co-Lending by Banks & NBFCs / HFCs to Non-Priority Sector' are as under:

i. Bank shall undertake financing under the co-lending model for the non-priority sector, in compliance with extant policy guidelines on Co-Lending by Banks & NBFCs / HFCs to Priority Sector.

ii. The financing facility shall be subject to compliance of all extant prudential regulations including transfer of loan exposures, outsourcing of financial services, KYC, reporting to CICs etc as applicable to all the participating entities.

iii. For financing under co-lending model for non-priority sector, the Minimum Holding period as defined in extant policy on transfer of loan exposures and securitisation of standard assets shall be applicable.

iv. The minimum holding period is detailed below:

The transferor can transfer loans only after a Minimum Holding Period (MHP) which is counted from the date of registration of the underlying security interest with Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI)
as under:

- Three months in case of loans with tenor of up to 2 years;
- Six months in case of loans with tenor of more than 2 years.

Provided that in case of loans where security does not exist or security cannot be registered with CERSAI, the MHP shall be calculated from the date of first repayment of the loan.

Provided further that in case of transfer of project loans, the MHP shall be calculated from the date of commencement of commercial operations of the project being financed.

Provided further that in case of loans acquired from other entities by a transferor, such loans cannot be transferred before completion of six months from the date on which the loan was taken into the books of the transferor.

v. The maximum value of single asset (loans in the name of obligor) under Non-Priority category shall be as follows:

Particulars	Value* (Max. Loan quantum of Single Asset)
Housing Loan	Rs 10.00 Crore
Loans against Property- LAP (including those categorized under MSME)	Rs 5.00 Crore
Other Retail Loan	Rs 5.00 Crore
MSME Advances (excluding LAP categorized under MSME)	Rs 5.00 Crore (Classification as per extant guidelines)
Other Loan	No Maximum Fixed Value

*Value shall mean outstanding amount in the books of the originator at time of cut-off date.

*Further, it shall be ensured that loans in the name of the obligor shall be restricted to 5% of the total value of the pool.

23.2 **Education Loan**: For education loan under Co-Lending Model, the guidelines enumerated in point no. 23.1 shall be applicable. In case of Education Loan, where the security doesn't exist or security cannot be registered with CERSAI, the Minimum Holding Period (MHP) shall be calculated from the date of first repayment of interest of the loan.