

1 INTRODUCTION

The Guidelines on Fair Practices Code for Housing Finance Companies which defines the fair practices standards while dealing/building relationships with prospective/existing customers and has been framed and amended by Reserve Bank of India(RBI) through RBI Circular RBI/2020-21/73DOR.FIN.AAVAS.CC.No.120/03.10.136/2020-21 related to **Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021** dated **February 17, 2021** in keeping with the need to follow the best corporate practice within the sector. In accordance with these guidelines, **Aavas Financiers Limited (“Aavas”)** had formulated & implemented a “Fair Practice Code”. The basic essence of Fair Practices Code is to assist both the Aavas and the customer(s).

2 APPLICATION OF THE CODE

It shall be applicable to all the products and services offered from all the operating/service locations of **Aavas** i.e. Branch, Region & Corporate Office. The Code must be strictly followed by all the authorized functionaries, Counselor(s), Partner(s), subsidiary(ies) and Digital Lending Platforms (Self-owned and/or under an outsourcing arrangement) across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other method.

3 APPLICATIONS FOR LOANS AND THEIR PROCESSING

- All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- Aavas shall transparently disclose to the borrower(s) all information regarding fee/charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned/disbursed or rejected, prepayment options and charges therein, if any, penalty for delayed repayment if any, conversion charges for switching loan from fixed to floating rates or vice versa, existence of any interest re-set clause and any other matter which affects the interest of the borrower(s). In other words, the Aavas shall disclose “all in cost” inclusive of all charges involved in processing/sanction of loan application in a transparent manner. It should also ensure that such charges/fees are non-discriminatory.
- Aavas shall not discriminate amongst physically challenged, disable/differently able or blind persons in any manner while dealing them. Aavas shall treat such person with humanitarian approach and give priority over other visiting clients at the branch in attending his queries/application of such persons. Also, Aavas shall take special efforts to make it easy and convenient for customers like senior citizens, physically challenged, differently abled or blind and illiterate persons while providing service.
- Loan application forms shall include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other

Aavas can be made and informed decision can be taken by the borrower. The loan application form may indicate the list of documents required to be submitted with the application form.

- Aavas shall devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed should also be indicated in the acknowledgement.

4 LOANS APPRAISAL, TERMS/CONDITIONS AND COMMUNICATION OF REJECTION OF LOAN APPLICATION

- Normally all particulars required for processing the loan application shall be collected by the Aavas at the time of application. In case it needs any additional information, the customer should be told that he would be contacted immediately again.
- Aavas shall convey in writing to the customer in the vernacular language or a language as understood by the customer by means of sanctioned letter or otherwise, the amount of loan sanctioned along with the terms and conditions which shall include annualized rate of interest, method of application, EMI structure, pre-payment charges, penal interest and shall obtain written acceptance of these terms and conditions from the customer for record.
- Aavas shall mention the penal interest charged for late repayment in bold in the loan agreement.
- Aavas shall invariably furnish a copy of the loan agreement along with a copy of each of the enclosures quoted in the loan agreement to every borrower at the time of sanction/ disbursement of loans, against acknowledgement.
- In case of rejection of loan application, the customer shall be communicated in writing of the Aavas's inability to offer him/her/them the loan along with the reasons(s) for rejection

5 DISBURSEMENT OF LOANS INCLUDING CHANGE IN TERMS AND CONDITIONS

- Aavas shall ensure that disbursement is made in accordance to the agreed disbursement schedule (original or revised) given in loan agreement/sanction letter.
- The Aavas shall give advance notice to its customers in the vernacular language or a language as understood by the customer of change in the terms & conditions including disbursement schedule, interest rate, penal interest, service charges, prepayment charges, other applicable fees/charges etc. Moreover, the Aavas shall ensure that changes to interest rates and charges are imposed only "prospectively" and necessary clause is incorporated in the loan agreement with respect to this.
- If the changes are to the disadvantage of the customers, he/she/they may close or switch the account at any time (without notice) within 60 (sixty) days without having to pay any extra charges or revised interest.
- All existing borrowers have an option to change the existing applicable spread to the prevailing applicable spread, as per Board Approved Aavas ROI Switch/Conversion Policy available on website. For all partly or fully disbursed cases, the Switch/Conversion fee

payable to avail the Switch/Conversion is mentioned and will be as per the Schedule of Charges and MITC and will be levied on the principal outstanding (POS) at the time of availing the facility. There will be no switch fee payable on the undisbursed loan amount out of the total contracted loan. The facility is available to regular paying borrower with NIL EMI/PEMI due in the Loan Account, and will be applied with Mutual Consent between the Borrowers(s) and the Aavas with required documentation. Borrowers have the option to reduce his EMI keeping the residual tenor unchanged OR keep his EMI unchanged and thereby reducing his residual tenor. The reset of spread will be effective from the next cycle date of the following month from the date of switch.

- Aavas ensure that the decision to recall/accelerate payment or performance under the agreement or seeking additional securities, the Aavas should be in consonance with the loan agreement.
- Aavas shall release all securities immediately on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim, Aavas may have against borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which Aavas are entitled to retain the securities till the relevant claim is settled /paid.

6 RESPONSIBILITY OF BOARD OF DIRECTORS

- The Board of Directors of Aavas has laid down the appropriate grievance redressal mechanism within the organization to resolve complaints and grievances. The mechanism ensured that all disputes arising out of the decisions of lending institution's functionaries are heard and disposed of at least at the next higher level.
- The Board of Directors of Aavas shall provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management.

7 COMPLAINTS AND GRIEVANCE REDRESSAL

- Aavas have a system and a procedure for receiving, registering and disposing of complaints and grievances in each of its offices, including those received on-line.

Our Customer Grievance Mechanism as below;

Step1:

Please visit to the nearest AAVAS FINANCIERS LIMITED Branch and submit your complaints/grievance get your complaint logged in the "Complaint & Grievance Register" maintained at the branches (During the working hours from 9:30 A.M to 6:30 P.M)

We will respond to your complaint within 15 working days.

Step 2:

If you are still not satisfied with the resolution you receive, or you don't receive any response within 15 working days you can write, mail, fax or call to:-

Our Central Customer Relationship Management (CRM) Cell, through below modes

Customer care No:- +91-0141-6618888

Customer care E-mail Id:- customercare@aavas.in

By lodging at website: www.aavas.in

Or

Our Nodal office of the Aavas Mr.

Tanay Rastogi (Nodal officer)

AAVAS FINANCIERS LIMITED

201-202, 2nd Floor, Southend Square

Mansarovar Industrial Area, Jaipur-302020

E-Mail ID: tanay.rastogi@aavas.in

Office: +91 141-6618839

Fax: +91 141 6618861

Mob: +91 8003999547

After examining the matter, we shall send the customer our final response or explain why it needs more time to respond and shall endeavour to do so within 15 working days.

Step 3:

If your complaint still remains unresolved, you may directly approach the regulatory authority of Housing Finance Companies, National Housing Bank for redressal of your complaints at below address:

National Housing Bank,

Department of Regulation and Supervision,

(Complaint Redressal Cell)

4th Floor, Core- 5A, India Habitat Centre,

Lodhi Road, New Delhi – 110 003

The complainant can also approach the Complaint Redressal Cell by lodging its complaint at the link <https://grids.nhbonline.org.in>.

- If a complaint has been received in writing from a customer, Aavas shall endeavor to send him/ her an acknowledgement/ response within a week. The acknowledgement shall contain the name & designation of the official who will deal with the grievance. If the complaint is relayed over phone at Aavas' designated telephone helpdesk or customer service number, the
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customer shall be provided with a complaint reference number and be kept informed of the progress within a reasonable period of time.

- After examining the matter, Aavas shall send the customer its final response or explain why it needs more time to respond and shall endeavour to do so within six weeks of receipt of a complaint and he/ she should be informed how to take his/her complaint further if he/ she is still not satisfied.
- Aavas publicized its grievance redressal procedure (e-mail id and other contact details at which the complaints can be lodged, turnaround time for resolving the issue, matrix for escalation, etc.) for lodging the complaints by the aggrieved borrower and ensure specifically that it is made available on its website.
- Aavas shall clearly display in all its offices/ branches and on the website that in case the complainant does not receive response from the Aavas within a period of one month or is dissatisfied with the response received, the complainant may approach the Complaint Redressal Cell of National Housing Bank by lodging its complaints online on the website of NHB or through post to NHB, New Delhi.

8 LANGUAGE AND MODE OF COMMUNICATING FAIR PRACTICE CODE

- Fair Practices Code (in vernacular language) based on the directions outlined hereinabove shall be put in place by Aavas with the approval of their Boards.
- The same shall be put up on Aavas' website, for the information of various stakeholders.

9 REGULATION OF EXCESSIVE INTEREST CHARGED BY AAVAS

- The Board of Aavas shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradation of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.
 - The Board of the Aavas shall also have clearly laid down policy for penal interest/ charges (if any).
 - The rates of interest and the approach for gradation of risks, and penal interest (if any) shall also be made available on the website of the companies or published in the relevant newspapers. The information published in the website or otherwise published shall be updated whenever there is a change in the rates of interest.
 - The rate of interest and penal interest (if any) must be annualised rate so that the borrower is aware of the exact rates that would be charged to the account.
 - Instalments collected from borrowers should clearly indicate the bifurcation between interest and principal.
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10 EXCESSIVE INTEREST CHARGED BY AAVAS

- Aavas shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges (including penal interest, if any). In this regard the directions in the Fair Practices Code about transparency in respect of terms and conditions of the loans are to be kept in view. Aavas put in place an internal mechanism to monitor the process and the operations so as to ensure adequate transparency in communications with the borrowers.

11 ADVERTISING, MARKETING AND SALES

The Aavas shall ensure that:

- The Aavas shall take maximum steps to ensure that all advertising and promotional material is clear, and factual.
- In any advertising in any media and promotional literature that draws attention to a service or product and includes a reference to an interest rate, Aavas shall also indicate whether other fees and charges shall apply and that full details of the relevant terms and conditions are available on request or on the website.
- It shall provide information on interest rates, common fees and charges through putting up notices in their branches, through telephones or help-lines, on the Aavas's web-site, through designated staff/help desk or providing service guide/tariff schedule.
- In case of engagement of third party/ies for the purpose of providing support services, the Aavas shall ensure that the third party/ies do handle the customer's personal information with the same degree of confidentiality and security as when the exercise may have been shouldered by the Aavas on its own.
- The Aavas shall from time to time, communicate to its customers various features of their products availed by them. Information about their other products or promotional offers in respect of products/services, may be conveyed to customers only if he/she/they has/have given his/her/their consent to receive such information/service either by mail or by registering for the same on the website or on customer service number.
- The Aavas shall apply/prescribe the code of conduct to their Direct Selling Agents/Direct Marketing Agents, if any, whose services are availed to market products/services which amongst other matters require them to identify themselves when they approach the customer for selling products personally or through phone.
- In the event of receipt of any complaint from the customer, that Aavas representative/courier or marketing agents has/have engaged in any improper conduct or acted in violation of this Code, appropriate steps shall be initiated to investigate and to handle the complaint/grievance.

12 GUARANTORS

The Aavas must inform the following information to the person considering to be a guarantor to a loan,

- His/her liability as guarantor;
- The amount of liability he/she will be committing him/herself to the Aavas;
- Circumstances in which the Aavas will call on him/her to pay up his/her liability;
- Whether the Aavas has recourse to his/her other monies in the Aavas if he/she fail to pay up as a guarantor;
- Whether his/her liabilities as a guarantor are limited to a specific quantum or are they unlimited; and time and circumstances in which his/her liabilities as a guarantor shall be discharged as also the manner in which the Aavas will notify him/her about this

The Aavas shall keep him/her informed of any material adverse change/s in the financial position of the borrower to whom he/she stands as a guarantor.

13 PRIVACY AND CONFIDENTIALITY

All personal information of customers (present and past) shall be treated as private and confidential. The Aavas shall not reveal transaction details of the customers' accounts, to a third party, including entities in the group, other than in the following exceptional cases when the Aavas are allowed to do:

- If the Aavas have to give the information by law;
- If there is a duty towards the public to reveal the information ;
- If the Aavas's interests require to give the information [for example, to prevent fraud) but the Aavas shall not use this as a reason for giving information about its customer or its customers' accounts [including name and address] to anyone else, including other companies in the group, for marketing purposes;
- If the customer ask it to reveal the information, or if Aavas has the customers' permission to provide such information to group/associate/entities or other companies when they have tie - up arrangements for providing other financial service products ;
- If written permission has been obtained from the customer to provide reference of the respective customer;

14 GENERAL

- Aavas shall refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless information, not earlier disclosed by the borrower, has been noticed).
- In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection of the Aavas, if any, shall be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.
- Whenever loans are given, Aavas shall explain to the customer the repayment process by way of amount, tenure and periodicity of repayment. However, if the customer does not adhere to

repayment schedule, a defined process in accordance with the laws of the land shall be followed for recovery of dues. The process will involve reminding the customer by sending him/ her notice or by making personal visits and/or repossession of security if any.

- In the matter of recovery of loans, Aavas shall not resort to harassment viz. persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. As complaints from customers also include rude behavior from the staff of the companies, Aavas shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.
- Aavas has approved policy for engaging Recovery Agents.
- Aavas shall not charge pre-payment levy or penalty on pre-closure of housing loans under the following situations:

- a. Where the housing loan is on floating interest rate basis and pre -closed from any source.
- b. Where the housing loan is on fixed interest rate basis and the loan is preclosed by the borrower out of their own sources.

The expression “own sources” for the purpose means any source other than by borrowing from a bank/ HFCs/ NBFC and/or a financial institution.

- All dual/ special rate (combination of fixed and floating) housing loans will attract the pre- closure norms applicable to fixed/ floating rate depending on whether at the time of pre- closure, the loan is on fixed or floating rate. In case of a dual/special rate housing loans, the pre-closure norm for floating rate will apply once the loan has been converted into floating rate loan, after the expiry of the fixed interest rate period. This applied to all such dual/special rate housing loans being foreclosed hereafter. It is also clarified that a fixed rate loan is one where the rate is fixed for entire duration of the loan.
- Aavas shall not impose foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co- obligant(s).
- To facilitate quick and good understanding of the major terms and conditions of housing loan agreed upon between AAVAS and the individual borrower, Aavas shall obtain a document containing the most important terms and conditions (MITC) of such loan in all cases. Duplicate copy duly executed between the AAVAS and the borrower should be handed over to the borrower under acknowledgement.
- Display of various key aspect such as service charges, interest rates, Penal interest (if any), services offered, product information, time norms for various transactions and grievance redressal mechanism, etc. is required to promote transparency in the operations of Aavas.
- AAVAS shall display about their products and services in any one or more of the following languages: Hindi, English or the appropriate local language.
- Aavas shall not discriminate on grounds of sex, caste and religion in the matter of lending. Further, Aavas shall also not discriminate visually impaired or physically challenged applicants on the ground of disability in extending products, services, facilities, etc. However, this does not preclude Aavas from instituting or participating in schemes framed for different sections of the society.

• **To publicize the code the Aavas shall:**

1. Provide existing and new customers with a copy of the Code
2. Make this Code available on request either over the counter or by electronic communication or mail;
3. Make available this Code at every branch and on their website; and
4. Ensure that their staffs are trained to provide relevant information about the Code and to put the Code into practice.