

GUIDELINES ON FAIR PRACTICES CODE FOR HUDCO

1. OBJECTIVES & APPLICATION

1.1 Objectives of the Code

The code has been developed to

- a) **promote good and fair practices** by setting minimum standards in dealing with customers;
- b) **increase transparency** so that the customer can have a better understanding of what he/she can reasonably expect of the services;
- c) **encourage market forces**, through competition, to achieve higher operating standards;
- d) **promote a fair and cordial relationship** between customer and HUDCO; and
- e) **foster confidence** in the housing finance system.

1.2. Application of the Code

All parts of this Code apply to all the products and services, whether they are provided by the HUDCO across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other method.

2. HUDCO shall act fairly and in a transparent manner:

HUDCO shall act fairly and reasonably in all dealings with customers, by ensuring that:

- a) They meet the commitments and standards in this Code for the products and services they offer and in the procedures and practices their staff follows.
- b) Their products and services meet relevant laws and regulations in letter and spirit.
- c) Their dealings with customers rest on ethical principles of integrity and transparency.

- 2A.** HUDCO shall transparently disclose to the borrower all information about fees/charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned/disbursed, pre-payment options and charges, 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. In other words, HUDCO will disclose 'all in cost' inclusive of all charges involved in processing/sanction of loan application in a transparent manner. It shall also be ensured that such charges/fees are non-discriminatory."

3. ADVERTISING, MARKETING AND SALES

3.1 HUDCO shall:

- a) Ensure that all advertising and promotional material is clear, and not misleading.
- b) 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, HUDCO shall also indicate whether other fees and charges will apply and that full details of the relevant terms and conditions are available on request.
- c) **HUDCO should provide information on interest rates, common fees and charges through** putting up notices in their branches; Through telephone or help-lines; On the company's website; Through designated staff / help desk ;or Providing service guide / tariff schedule.

- d) If HUDCO avail of the services of third parties for providing support services, HUDCO shall require that such third parties handle customer's personal information (if any available to such third parties) with the same degree of confidentiality and security as the HUDCO would.
- e) HUDCO may, from time to time, communicate to 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 has given his / her consent to receive such information / service either by mail or by registering for the same on the website or on customer service number.
- f) Prescribe a code of conduct for their Direct Selling Agencies (DSAs) 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.
- g) In the event of receipt of any complaint from the customer that HUDCO's representative / courier or DSA has engaged in any improper conduct or acted in violation of this Code, appropriate steps shall be initiated to investigate and to handle the complaint and to make good the loss.

4. LOANS

4.1 (i) Applications for loans and their processing

- a) Loan application forms should include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other HFC 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.
- b) HUDCO shall devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed of should also be indicated in the acknowledgement.

(ii) Loan appraisal and terms/conditions

- a) Normally all particulars required for processing the loan application shall be collected by HUDCO at the time of application. In case it needs any additional information, the customer should be told that he would be contacted immediately again.
- b) HUDCO shall convey in writing to the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with all terms and conditions including annualized rate of interest, method of application, EMI Structure, prepayment charges and keep the written acceptance of these terms and conditions by the borrower on its record.
- c) HUDCO shall invariably furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to every borrower at the time of sanction / disbursement of loans.

(iii) Communication of rejection of Loan Application

If HUDCO cannot provide the loan to the customer, it shall communicate in writing the reason(s) for rejection.

(iv) Disbursement of loans including changes in terms and conditions

- a) Disbursement should be made in accordance with the disbursement schedule given in the Loan Agreement/ Sanction Letter.
- b) HUDCO should give notice to the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges, other applicable fee/ charges etc. HUDCO shall also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard should be incorporated in the loan agreement.
- c) If such change is to the disadvantage of the customer, he/she may within 60 days and without notice close his / her account or switch it without having to pay any extra charges or interest.
- d) Decision to recall / accelerate payment or performance under the agreement or seeking additional securities, should be in consonance with the loan agreement.
- e) HUDCO shall release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim HUDCO 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 HUDCO is entitled to retain the securities till the relevant claim is settled /paid.

4.2 Guarantors

When a person is considering to be a guarantor to a loan, he/she should be informed about

- a) his/her liability as guarantor;
- b) the amount of liability he/she will be committing him/herself to the company;
- c) circumstances in which HUDCO will call on him/her to pay up his/her liability;
- d) whether HUDCO has recourse to his/her other monies in the company if he/she fail to pay up as a guarantor;
- e) whether his/her liabilities as a guarantor are limited to a specific quantum or are they unlimited; and
- f) time and circumstances in which his/her liabilities as a guarantor will be discharged as also the manner in which HUDCO will notify him/her about this

HUDCO 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.

Guarantees issued by individuals and companies

While dealing with wilful default of a single borrowing company in a Group, the HFCs should consider the track record of the individual company, with reference to its repayment performance to its lenders. However, in cases where guarantee furnished by the companies in the same Group on behalf of the wilfully defaulting units are not honoured when invoked by the HFCs, such companies in the same group should also be reckoned as wilful defaulters.

In connection with the guarantors, in terms of Section 128 of the Indian Contract Act, 1872, the liability of the surety is co-extensive with that of the principal debtor unless it is otherwise provided by the contract. Therefore, when a default is made in making repayment by the

principal debtor, the lender will be able to proceed against the guarantor / surety even without exhausting the remedies against the principal debtor. As such, where a lender has made a claim on the guarantor on account of the default made by the principal debtor, the liability of the guarantor is immediate. In case the said guarantor refuses to comply with the demand made by the creditor / lender, despite having sufficient means to make payment of the dues, such guarantor would also be treated as a wilful defaulter.

4.3. PRIVACY AND CONFIDENTIALITY

All personal information of customers shall be treated as private and confidential [even when the customers are no longer customers], and shall be guided by the following principles and policies. HUDCO shall not reveal information or data relating to customer accounts, whether provided by the customers or otherwise, to anyone, including other companies' entities in their group, other than in the following exceptional cases:

- a) If the information is to be given by law
- b) If there is a duty towards the public to reveal the information
- c) If HUDCO's interests require them to give the information (for example, to prevent fraud) but it should not be used as a reason for giving information about customer or customer accounts [including customer name and address] to anyone else, including other companies in the group, for marketing purposes
- d) If the customer asks HUDCO to reveal the information, or with the customer's permission
- e) If HUDCO is asked to give a reference about customers, they shall obtain his / her written permission before giving it.
- f) The customer shall be informed the extent of his / her rights under the existing legal framework for accessing the personal records that an HUDCO holds about him /her.
- g) HUDCO shall not use customer's personal information for marketing purposes by anyone including HUDCO unless the customer specifically authorizes them to do so.

4.4. Credit reference agencies

- a) When a customer opens an account, HUDCO shall inform him / her when they may pass his / her account details to credit reference agencies and the checks HUDCO may make with them.
- b) HUDCO may give information to credit reference agencies about the personal debts the customer owes them if:
 - i. The customer has fallen behind with his / her payments;
 - ii. The amount owed is not in dispute; and
 - iii. The customer has not made proposals that the HUDCO are satisfied with, for repaying his / her debt, following HUDCO's formal demand
- c) In these cases, HUDCO shall intimate the customer in writing that they plan to give information about the debts the customer owes them to credit reference agencies. At the same time, HUDCO shall explain to the customer the role of credit reference agencies and the effect the information they provide can have on customer's ability to get credit.
- d) HUDCO may give credit reference agencies other information about the customer's account if the customer has given them his / her permission to do so.
- e) A copy of the information given to the credit reference agencies shall be provided by the HUDCO to a customer, if so demanded.

4.5. COLLECTION OF DUES

4.5.1 Whenever loans are given, HUDCO 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.

4.5.2 The HUDCO' collection policy should be built on courtesy, fair treatment and persuasion. HUDCO should believe in fostering customer confidence and long-term relationship. HUDCO' staff or any person authorized to represent them in collection of dues or / and security repossession shall identify himself / herself and display the authority letter issued by HUDCO and upon request, display his / her identity card issued by HUDCO or under authority of the company. HUDCO' shall provide customers with all the information regarding dues and shall endeavor to give sufficient notice for payment of dues.

4.5.3 All the members of the staff or any person authorised to represent HUDCO in collection or / and security repossession should follow the guidelines set out below:

- a) Customer would be contacted ordinarily at the place of his / her choice and in the absence of any specified place at the place of his / her residence and if unavailable at his / her residence, at the place of business / occupation.
- b) Identity and authority to represent HUDCO should be made known to the customer at the first instance.
- c) Customer's privacy should be respected.
- d) Interaction with the customer shall be in a civil manner
- e) HUDCO's representatives shall contact the customers between 0700 hrs and 1900 hrs, unless the special circumstances of the customer's business or occupation require otherwise.
- f) Customer's request to avoid calls at a particular time or at a particular place shall be honored as far as possible.
- g) Time and number of calls and contents of conversation would be documented.
- h) All assistance should be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- i) During visits to customer's place for dues collection, decency and decorum should be maintained.
- j) Inappropriate occasions such as bereavement in the family or such other calamitous occasions should be avoided for making calls/visits to collect dues.

4.6. COMPLAINTS AND GRIEVANCES

4.6.1. Internal Procedures

- a. HUDCO shall have a system and a procedure for receiving, registering and disposing of complaints and grievances in each of its offices.
- b. The Board of Directors of HUDCO shall lay down the appropriate grievance redressal mechanism within the organization to resolve complaints and grievances. Such a mechanism should ensure that all disputes arising out of the decisions of lending institutions' functionaries are heard and disposed of at least at the next higher level.

- c. Customer should be told where to find details of HUDCO's procedure for handling complaints fairly and quickly.
- d. If the customer wants to make a complaint, he/she should be told:
 - I. How to do this
 - II. Where a complaint can be made
 - III. How a complaint should be made
 - IV. When to expect a reply
 - V. Whom to approach for redressal
 - VI. What to do if the customer is not happy about the outcome.
 - VII. HUDCO's staff shall help the customer with any questions the customer has.
- e. If a complaint has been received in writing from a customer, HUDCO shall endeavour 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 HUDCO's designated telephone helpdesk or customer service number, the customer shall be provided with a complaint reference number and be kept informed of the progress within a reasonable period of time.
- f. After examining the matter, HUDCO 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.
- g. HUDCO shall publicize its grievance redressal procedure and ensure that it is specifically made available on its website.

5.GENERAL

HUDCO shall give the customer information:

1. Verify the details mentioned by him/her in the loan application by contacting him/her at his/her residence and / or on business telephone numbers and / or physically visiting his/her residence and/or business addresses through agencies appointed for this purpose, if deemed necessary by HUDCO.
2. The customer should be informed to co-operate if HUDCO needs to investigate a transaction on the customer's account and with the police/ other investigative agencies, if HUDCO needs to involve them.
3. HUDCO shall advise the customer that if the customer acts fraudulently, he/she will be responsible for all losses on his/her account and that if the customer acts without reasonable care and this causes losses, the customer may be responsible for the same.
4. About their products and services in any one or more of the following languages: Hindi, English or the appropriate local language.
5. HUDCO shall not discriminate on grounds of sex, caste and religion in the matter of lending. However, this does not preclude HUDCO from instituting or participating in schemes framed for different sections of the society.
6. HUDCO shall process requests for transfer of a loan account, either from the borrower or from a bank/financial institution, in the normal course.
7. To publicise the code HUDCO shall:
 - a) provide existing and new customers with a copy of the Code

- b) make this Code available on request either over the counter or by electronic communication or mail;
 - c) make available this Code at every branch and on their website; and
 - d) ensure that their staff are trained to provide relevant information about the Code and to put the Code into practice.
8. The Board of Directors of HUDCO 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. A consolidated report of such reviews may be submitted to the Board at regular intervals, as may be prescribed by it.