



IIFL Home Finance Limited

Interest Rate Policy

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Introduction

IIFL Home Finance Limited (the 'Company'), in compliance with directions issued by Reserve Bank of India, has adopted this Interest Rate Policy ('Policy') to lay out appropriate internal principles and procedures to arrive at benchmark rates to be used for different types of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from customers for its lending business.

Methodology

The average yields and the rate of interest under each product shall be decided from time to time, giving due consideration to the following factors:

- **Cost of Funds:** This represents the interest expenses the company incurs for raising capital, including borrowings from banks or other financial institutions.
- **Operational Expenses (Opex):** The administrative and operational costs, including staff, infrastructure, technology, and overheads.
- **Credit Cost:** This includes the provisions for potential loan defaults, non-performing assets (NPAs), and the overall credit risk associated with lending.
- **Return on Capital (ROC):** The required return on the capital invested by the company to ensure shareholders' value and long-term sustainability.
- **Risk profile of the customer:** i.e., nature of income (salaried / self-employed / others), type of product availed (Home Loan, Loan against property, Construction Finance), Credit Bureau performance, geographic location and loan amount exposure.
- **Industry trends** i.e. offerings by competition

Organization Structure

The Board of Directors shall have oversight into the *Interest Rate Policy*. The operational aspects pertaining to implementation of the policy shall be ensured by senior management. Changes with respect to PLR will be approved by ALCO.

Interest Rate Model

The Company shall adopt a discrete Policy which shall mean that the rate of interest for same product and tenure availed during the same period by separate customers may not be standardized but shall vary within a range, depending, amongst other things, the factors mentioned in the next section.

Approach for Gradation of Risks

Risk grading enables the Company to differentiate customers across different risk spectrums and helps in offering prudent pricing suitable to that customer.

The risk premium attached with a customer shall be assessed inter-alia based on the following factors:

1. **Nature of Income:** A stable and verifiable income source (e.g., salaried individuals) would lower the perceived risk, while irregular or uncertain income sources might increase the risk margin.
2. **Type of Product:** Different products (e.g., Home Loans /Loan Against property) carry varying levels of risk.
3. **Bureau Performance:** Customer's credit score, past loan repayment history, and overall creditworthiness are critical.
4. **Location:** The demographic location of the customer not only impacts the risk gradation but is essential for better communication and reachability.
5. **Loan Amount:** Overall loan exposure plays a pivotal role in risk gradation.
6. **Regulatory guidelines,** if any
7. **And any other factors** that may be relevant in a particular case.

Calculation of Annual Percentage Rate

The Annual Percentage Rate (APR) of loan is the total annual cost of the loan/ credit in percentage terms. Typically, the APR/ total Cost of Credit can be calculated based on the applicable Rate of Interest on the Loan and the applicable fee/ charges to be paid for availing the Loan and it can be used by the customers to compare the costs associated with borrowing across products and/or lenders. Please note that the APR may not remain same in case of floating/ variable rate of interest. Further, the APR will vary if other fee/ charges like prepayment charges, penal interest, CERSAI charges, stamp duty etc. (which one may incur during lifecycle of the Loan) are factored.

Illustrative Example of the APR:

If proposed loan is Rs.10 lakh with tenor at 240 months, rate of interest at 12% per annum with processing fee of 2%, then APR of the Loan comes to be around 12.32%

Communication to Customers

The Company shall intimate the borrower the annualized rate of interest at the time of sanction of the loan along with the tenure and amount of EMI apportionments towards interest and principal. Interest would be charged, and recovered on a monthly, quarterly basis or such other periodicity as may be approved by the designated authority and agreed with the customer.

The customer shall also be informed that the Policy is available on the Company website and any change in the benchmark rates and charges for existing customers would be uploaded on the website of the Company.

Any changes in the rates and charges for existing customers would also be communicated to them through either e-mail or letter or SMS. Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per the terms of the loan documents. Interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed. Statement of account will be made accessible to the borrowers.

The Company shall follow the guidelines mentioned in the Fair Practices Code guidelines as issued by RBI from time to time and as adopted by the company through its Fair Practices Code.

Requests for refund or waiver of such charges/penal charges/additional charges would normally not be entertained by the Company and it is the sole and absolute discretion of the Company to deal with such requests.

Review of Policy

The Policy shall be reviewed by the Board of Directors annually or more frequently as may be required.