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Co-Lending Policy of MBHF

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Particulars	Name	Designation	Signature
Recommended by	Indranath Bose	Head-Product, Policy & Risk	
	Anurag Jain	CCCO	
	Sunil Gupta	CEO	
Approved by	Deepak Joshi	Director & Vice Chairman	
	Meghha Gupta	Managing Director & Chairman	

Co-lending Policy-MBHF

❖ **Introduction:**

Co-lending is a joint contribution of credit by both lenders (Primary Lender & Secondary Lender). in a way that both risks and rewards are shared between the co-lending partners.

❖ **Benefits:**

The association allows secondary lender to source clients, perform credit appraisals and disburse a small part of the loan amount. On the other hand, the co-lending arrangement enables the Primary lender to give out the more substantial chunk of funds. In specific provisions, small institutions are lending along with large institutions with an increased focus on providing services like risk assessment to large institutions.

- ❖ **Objective** - The primary focus of the scheme, rechristened as "Co-Lending Model" (CLM), is to improve the flow of credit 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 large institutions.

❖ **Detail Policy for MBHF:**

1. **Co-lending Product**- HL and LAP & MSME.
2. **Master Agreement** – MBHF and its partner institutions will enter into a master agreement which will need to include the terms and conditions of the arrangement, the criteria for selection of partner institutions, the specific product lines and areas of operation, provisions related to segregation of responsibilities, and customer interface and protection issues, among others.
3. **Sharing of Risk and Reward** - Minimum 20% of the credit risk by way of direct exposure shall be on MBHF's books till maturity and the balance will be on Co-lending partner's book. Maximum exposure shall be 80%.
4. **Rate of Interest** - The ultimate borrower may be charged an all-inclusive interest rate as may be agreed upon by both the lenders (MBHF and its partner) conforming to the extant guidelines applicable to both.
5. **KYC**- MBHF and its partner shall adhere to applicable KYC/ AML guidelines.
6. **Loan sanction**- MBHF & its partner will have to put in place a suitable mechanism for ex-ante due diligence as the credit sanction process cannot be outsourced.
7. **Operation Flow:** MBHF & its partner will have to put in place a suitable mechanism for loan operation process (Disbursement and Post disbursement).
8. **Customer related issues**- MBHF or its partner as mutually decided 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 MBHF and its partner.

9. **Grievance Redressal:** With regard to grievance redressal, suitable arrangement must be put in place by MBHF and its partner to resolve any complaint registered by a borrower with the secondary lender within 30 days, failing which the borrower would have the option to escalate the same with the concerned Chief Grievance Redressal Officer, NHB, for HFCs or Banking Ombudsman/Ombudsman for NBFCs or the Customer Education and Protection Cell (CEPC) in RBI.
10. **Customer's Loan Account-** MBHF and its partner shall maintain each individual borrower's account for their respective exposures
11. **Bank Account:** Initially, disbursement can be done through separate payment account and collection can be done by separate collection account. Later on, all transaction may be routed through an Escrow account.
12. **Monitoring and recovery:** MBHF and its partner shall establish a framework for monitoring and recovery of the loan, as mutually agreed upon.
13. **Security and Charge Creation:** MBHF and its partner shall arrange for creation of security and charge as per mutually agreeable terms.
14. **Provisioning/Reporting Requirement:** MBHF and its partner 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.
15. **Assignment/ Change in Loan Limits:** Any assignment of a loan by MBHF to a third party can be done only with the consent of its partner. Further, any change in loan limit of the co-lending facility can be done only with the mutual consent of both MBHF and its partner.
16. **Business Continuity Plan-**Both MBHF and its partner 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.

M.G.







