

# Policy for Recovery Process

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**SATIN HOUSING FINANCE LIMITED (SHFL)**

{REGISTERED WITH NATIONAL HOUSING BANK (NHB)}

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## **Document Control**

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## 1. Introduction

The debt collection policy of the Company is built around dignity, respect to customers and are in line with the extant Guidelines framed by Res. Satin Housing Finance Limited (SHFL) will not follow policies that are unduly coercive in collection of dues. The Policy is built on courtesy, fair treatment and persuasion. SHFL follow Ethics and Fair Practice with regard to collection of dues and possession of security and thereby fostering customer confidence and long-term relationship.

Possession of securities by SHFL is aimed at recovery of dues in the event of default and not aimed at whimsical deprivation of the property to the borrower. The policy recognizes fairness and transparency in possession, valuation and realization of security. All the practices adopted by the SHFL for follow-up, recovery of dues, and possession of security will remain in consonance with the applicable laws.

## 2. Salient Features of the Policy

This Policy explains the standard code of conduct to be followed during the recovery of dues and possession of security from the defaulting accounts. It also describes the handling of repossessed security and customer rights and fair dealing during the procedure of possession of security within the legal boundaries and as per industry norms.

## 3. Engagement of Recovery Agents

Currently, SHFL is not using the services of any recovery agent. However, SHFL may explore the same as per the business requirements in future and will follow the “**Guidelines on Engagement of Recovery Agents**” as approved by the Board of Directors and amendment thereto.

## 4. General Guidelines

All the members of the staff or any person authorized to represent SHFL in collection and/or security possession would follow the guidelines as set out below:

- i. The customer would be contacted ordinarily at the place of his/her choice and in the absence of any specified place of his/her residence and if unavailable at his/her residence, at the place of business/occupation.
- ii. Identity and authority of persons authorized to represent the SHFL for follow up and recovery of dues would be made known to the borrower at the first instance. SHFL’s staff or any person authorized to represent SHFL for collection of dues and/or security possession will identify himself/herself and display the authority letter issued by SHFL and upon request.
- iii. SHFL would respect privacy of its borrower.
- iv. SHFL is committed to ensure that all written and verbal communication with its borrower will be in simple business language and SHFL will adopt civil manners in its interaction with the borrower.

v. Normally SHFL's representative will contact the borrowers between 07:00 hours and 19:00 hours, unless the special circumstances of his/her business or occupation requires SHFL to contact at a different time. However, customer would be contacted upto 21:00 hours if unable to establish contact during specified calling hours and under specified calling hours and under specific circumstances where the customer is refusing to pay, not contactable, non-cooperative, disputing earlier commitments.

vi. Borrower's requests to avoid calls at a particular time or at a particular place would be honored as far as possible.

vii. Decency and Decorum would be maintained during visits to customer's place for collection of dues.

viii. Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls/visits to collect dues.

## 5. Giving Notice and Action against Irregular Account (Non-NPA Accounts)

While written communication, telephonic reminders or visits by the SHFL's representatives to the borrower's place or residence will be used as loan follow up measures, SHFL will not initiate any legal or other recovery measures including possession of the security without giving prior notice, requiring the customer to discharge his/her liability in full. The notice will be sent to the last known address of the customer through Registered Post. SHFL will follow all such procedures as required under law for recovery/possession of security.

As the Loan Agreement executed between SHFL and the Borrower(s) have Arbitration Clause, so the Company i.e. SHFL will invoke the Arbitration Clause for the Loan Account(s) which are under Standard Assets but have defaulted in repayment(s) and follow the below process:

Steps	30 days Bucket	30-60 days Bucket	60-90 days Bucket		
			Customer is responding and ready for surrender	Customer is responding but linger on	customer not responding
Step 1	Issuance of soft Notice	Dunning Notice of 15 days.	Issuance of Notice for Loan recall with 7 days timeline	Issuance of Notice for Loan recall with 30 days timeline	Issuance of Notice for Loan recall with 30 days timeline
Step 2	Follow up after 15 days	Follow up in 15 days and reminder notice	Reference for Arbitration Clause	Reference for Arbitration Clause	Reference for Arbitration Clause
Step 3			Arbitration Award	Arbitration award	Arbitration award
			Execution of Arbitration Award	Execution of Arbitration Award	Execution of Arbitration Award

			During execution - the customer will handover possession and Surrender the property. Company will take the possession of the Property as per the applicable law(s).	During execution the court will order for recovery and possession and other actions. Company will take the possession of the Property as per the applicable law(s).	During execution the court will order for recovery and possession and other actions. Company will take the possession of the Property as per the applicable law(s).
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## 5. Invocation of SARFAESI Act, 2002

Ministry of Finance (Department of Financial Services) vide its Notification dated June 17, 2021, the Central Government specifies such financial companies registered under sub-section (5) of section 29A of the National Housing Bank Act, 1987 (53 of 1987), having assets worth rupees one hundred crore and above, as financial institutions under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002).

Since, SHFL is registered under sub-section (5) of section 29A of the National Housing Bank Act, 1987 (53 of 1987) and having assets worth more than rupees one hundred crore, SHFL will be considered as Financial Institutions under SARFAESI Act, 2002.

SHFL will follow security possession in compliance with guidelines framed by the Reserve Bank of India/ National Housing Bank, SARFAESI Act, 2002 and any applicable laws, regulations and codes as amended from time to time.

### Applicability

SARFAESI Act, 2002 will be applied for recovery of dues by the Company where an event of default as defined in the Loan Agreement is committed by the Borrower and the Loan Account is classified as Non-Performing Assets (NPA) as per norms prescribed by RBI/NHB. However, the SARFAESI Act, 2002 does not apply if the remaining debt is below 20% of the original principal amount and interest thereon or when security interest for securing repayment is not exceeding one-lakh rupees, (security interest means as defined in Section 2 (zf) of SARFAESI Act, 2002 and amendment thereto).

Enforcement of Arbitration Clause as per the Loan Agreement will also be available with the Company along with the SARFAESI Act, 2002.

### Process to be followed

- i. The Security possession will be made only as per the procedure prescribed under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest, (SARFAESI). Act 2002, as amended from time to time and/or any other law for the time being in force.

- ii. SHFL will initiate the process of possession of mortgaged property by giving a statutory notice under section 13(2) of SARFAESI Act, 2002. The notice will be in writing and in plain and simple language. The notice will inform the borrower about their liability under the loan agreement and would require the borrower to discharge the said liability in full. The borrower will be given a period of Sixty (60) days as prescribed under SARFAESI Act to discharge the liability. The notice will also specify the actions that we propose to take against the mortgaged property upon the failure of the borrower to discharge their liabilities within the time period specified. The notice will be signed by the officer authorized by SHFL to perform such acts under SARFAESI Act. The mode of service of this notice will be normally by registered post, though the Company reserves the right to serve this notice through any other mode, including, but not limited to, Under Certificate of Posting/Courier/Hand Delivery/e-mail/fax. The notice shall be sent to the borrower's address/es appearing in our records. This notice will be sent to all co-borrower(s) or/and guarantor(s) if any along with borrower. (Wherever the word borrower is used shall deem to include co-borrower(s) and guarantor(s))
- iii. If on receipt of the notice, the borrower makes any representation or raise any objection, SHFL shall consider such representation or objection. SHFL will communicate to the borrower, in writing, our views regarding their representation or objection, within 15 days of receipt of the said representation/objection. If their representation/objection is not acceptable to us, the Company will inform the borrower in the said communication, the reasons for non-acceptance of the representation or objection.
- iv. In case the borrower clears the liability in full within the period of notice, no further action will be taken against the property.
- v. In case the borrower fails to discharge the liability in full within the period specified i.e. Sixty days, SHFL will proceed with symbolic possession of the property mortgaged to us, and inform the borrower by way of pasting the symbolic possession notice on the property mortgaged through the authorized person only in presence of witness. If the defaulter does not respond within 7 days from the date of symbolic possession, SHFL shall proceed further and publish a suitable notice under section 13(4) of the SARFAESI act in the newspaper. On 8th day onwards the Company can file the petition under section 13(4) of SARFAESI act in the respective court under the modes available in SARFAESI Act or other applicable law including taking possession of the said property which shall also include right to transfer the said property by way of lease, assignment or sale for realizing the amount due to the Company.
- vi. SHFL may take the physical possession of the property mortgaged to it, either by making an application before the concerned authorities concern/Court of Special Judicial Magistrate (SJM) as per SARFAESI Act, within whose jurisdiction, the property mortgaged to the SHFL is situated, or it may take the possession directly through the officer authorized to do so and as per law prevailing from time to time.
- vii. After taking possession of the property, the authorized officer or any person authorized or appointed by him shall take all reasonable care for ensuring safety and security of the property/ies in the SHFL's custody as an owner of ordinary prudence would, in the normal course of business.

- viii. If the borrower makes payment of the entire amount of the debt, including accrued interest, costs, charges, other claims and expenses incurred by us before the date fixed for the sale of the mortgaged property/ies, SHFL would, within reasonable time, but not exceeding fifteen days, return the possession of the mortgaged property.
- ix. Where any of the mortgaged property/ies are required to be sold or transferred by the SHFL, this will be done after following prescribed procedure. A public notice of sale under section 13(4) of SARFAESI Act will be published in two newspapers in English and one local vernacular language and over the website of the Company. SHFL will intimate to the borrower, by a written notice of thirty days, and the notice will stipulate the time, date and venue of the auction. It will also give the reserve price to be determined by the Authorized Officer of the Company, below which the property will not be sold. The reserve price will be fixed based on a valuation of the property by two empaneled valuers. Only the approved valuers shall do valuation of the property and the competent authorities shall fix the reserve price. Auction of the repossessed property shall be done only through E-Portal.
- x. In case the Company does receive valid bid and/or purchaser through the auction process then the Company will try to sell out the property through private arrangement post approval from the Risk Management Committee and as per the prevailing laws at that time. SHFL will intimate to the borrower in this case, by a written notice of fifteen days.
- xi. The remedies open to the Company in the event of any excess amount obtained including its right to a general lien are adequately explained and set out clearly in the loan agreement with the borrower. SHFL will have right to recover from the borrower the balance due if any, after sale of property. Excess amount if any, obtained on sale of property will be returned to the borrower/any person who has a rightful claim on the said amount, after meeting all related expenses provided the Company does not have any other claims against the customer.
- xii. In its general interactions with the borrower, during any of the activities mentioned here in above, SHFL would ensure that:
- Our authorized officer and other representatives of the Company would maintain decency and decorum.
  - Interaction with the borrower would be in an acceptable business language.
  - Normally the SHFL's representatives will contact the borrower between 07:00 hours and 19:00 hours, unless the special circumstances of his/her business or occupation requires the Company to contact at a different time. However, customer would be contacted up to 21:00 hours if unable to establish contact during specified calling hours and under specific circumstances where the customer is refusing to pay, not contactable, non-cooperative, disputing earlier commitments.
  - Inappropriate occasions such as bereavement in the family or such other calamitous occasions would be avoided for visiting the property for any purpose, including taking the possession of the Asset.

## **6. Transfer of Possessed Property in the Name of Company**

In cases where the Company has taken physical possession of any secured asset (immovable property) of a borrower under the provisions of the Securitisation and Reconstruction of Financial Assets and

Enforcement of Security Interest Act, 2002 (SARFAESI Act), and the borrower has failed to redeem the said property or repay the dues within the prescribed period, the following shall apply:

- **Transfer in Company's Name:** Upon completion of possession formalities under SARFAESI (including issuance of possession notice under Section 13(4) and publication thereof), the Company may initiate the process to transfer and record the property in the name of the Company with the concerned local revenue/municipal authorities, if the same is considered necessary for:
  - Protecting the Company's interest in the asset;
  - Facilitating maintenance, sale, or disposal of the property; or
  - Complying with any legal, regulatory, or operational requirements.
- **Documentation and Legal Compliance:** The transfer of such property in the Company's name shall be undertaken in consultation with the Company's Legal Department to ensure compliance with all applicable laws, including provisions of the SARFAESI Act, the Security Interest (Enforcement) Rules, 2002, and relevant local registration laws.
- **Accounting and Disclosure:** Upon such transfer, the property shall be recorded in the Company's books as an asset acquired under enforcement proceedings, under a suitable head, in accordance with the applicable RBI/NHB guidelines and accounting standards.
- **Subsequent Disposal:** The Company shall endeavor to dispose of such assets within the period and manner prescribed by the RBI Master Directions or other applicable regulatory instructions, to avoid the property remaining as a non-earning asset.
- **Approval and Oversight:** Each such case of transfer shall be supported by a note approved by the **Working Committee of the Board of Directors**.

## 7. Review

This policy would be reviewed annually taking into account the various amendments to guidelines and regulations (if any), Business models and would be placed to Board for their approval. However, if there are any substantial changes in the guidelines by regulators, before the annual cycle, SHFL would take necessary steps and review the policy.