TATA CAPITAL HOUSING FINANCE LIMITED

POLICY FOR DETERMINING INTEREST RATES, PROCESSING AND OTHER CHARGES

1. INTEREST RATE MODEL

Loan Assets created by Tata Capital Housing Finance Limited (“TCHFL”) shall be priced primarily based on the Cost of Funds (“COF”) and risks associated with the quality of the counterparty and their possibility of default. The COF represented by the borrowing rate of TCHFL varies according to market conditions and, thus, the pricing of new loans is impacted by any change in the COF.

In addition to the COF, TCHFL considers cost of capital, credit risk premium associated with particular borrowers or pools of borrowers, administrative costs and profit margin while deciding the pricing, besides the current level of interest in the market for similar lending activity.

The borrowing rate for TCHFL is dependent on the maturity period for which the funds are borrowed. Similarly, the loan assets are priced based on the borrowing rate corresponding to the maturity or tenor for which the asset is created. In case of floating rate loan assets, the pricing is based on the COF or borrowing rate corresponding to the reset period or similar such parameter.

Based on the above, the TCHFL's Prime Lending Rate, as reviewed, is 20% p.a. with effect from a date as may be approved by the Managing Director of the Company which shall not be later than March 15, 2024.

2. PENAL CHARGES | LATE PAYMENT CHARGES

As a deterrent against intentional delinquency and to encourage prompt and timely repayment of instalments, the Loan Agreement provides for penal charges at **2.36% (inclusive of GST) on the defaulted amount** for Home Loans and for Home Equity contracts per month calculated on a simple interest basis. In deserving cases, such interest is settled at much lower rates or waived as per the Authorisation Matrix.

3. PROCESSING/ DOCUMENTATION AND OTHER CHARGES

All processing/ documentation and other charges recovered are expressly stated in the Loan Agreement. They vary based on the asset financed, the exposure limit, expenses incurred in the geographical location, customer segment and generally represent the cost incurred in rendering services to the customers.

4. CHANGE IN LENDING RATE

The Asset-Liability Management Committee is authorized to make modifications in the PLR of the Company, if required, from time to time and review the interest rates, processing charges, documentation charges and other charges, on a periodic basis. The revisions in PLR shall be reported to the Board.

5. PRINCIPLES AND PROCEDURES FOR CHARGING SPREADS TO CALCULATE FINAL RATE.

The rate of interest for loans offered by various business segments is arrived after adjusting for spread by the relevant business segment. Some of the key factors (illustrative but not exhaustive) considered by businesses for calculating spreads are given below:

- Interest rate volatility risk
- Credit and default risk in the related business segment
- Behavioral performance of similar homogeneous cohort of customers
- Profile of the customer
- Industry segment of the customer
- Repayment track record of the customer
- Nature and value of collateral security if any
- Ticket size of loan
- Bureau Score
- Tenure of Loan
- Delinquency and collection performance of the relevant geography of the customer
- Existing indebtedness of the customer

The rate of interest for the same product and tenor availed during same period by different customers need not be standardized. It could vary for different customers depending upon consideration of any or combination of above factors.