

Co-Lending

Background and Objective

The Reserve Bank of India has been taking various initiatives to improve and ease the credit flow to various sectors and segments of economic system and further to achieve its vision of the greater financial inclusion, it has made special efforts to ensure that the credit flow and financial services are available till the last mile.

In this direction, an important game changing step by RBI has been the introduction of Co-lending Model, through which it has paved the way for a model where in the Non-banking finance companies (NBFCs), Housing Finance Companies (HFCs) and the Banks can come together to collaborate and get into an arrangement to do joint origination and lending in the market. The model envisages a joint lending process in such a manner that there are defined roles for each party and the risks and rewards are shared by both the co-lenders. This model will not only help to leverage on the liquidity strengths of the banks and other FIs, but also will help make effective use of the deep reach of the NBFCs and HFCs, thereby making funds available to the ultimate beneficiaries at an affordable cost.

In this regard, The Reserve Bank of India had issued a communication dated Sep 21, 2018; bearing number RBI/2018-19/49 FIDD.CO.Plan.BC.08/04.09.01/2018-19 ("Co-origination of loans by Banks and NBFCs for lending to priority sector") and further a subsequent notification dated November 05, 2020 bearing number RBI/2020-21/63 FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 ("Co-Lending by Banks and NBFCs to Priority Sector") has been circulated, through which it has outlined the co-lending model and issued the necessary guidance for co-origination and co-lending.

Considering it as a good opportunity to further scale up the retail lending business and looking at its great potential as well economic viability, the co-lending model and Policy has been adopted as per below outlined framework:

- Indiabulls Commercial Credit Ltd. will explore the possibilities of entering into Co-lending arrangements with the Banks, NBFCs and HFCs for co-origination and joint lending of Housing Loans and LAP.
- The company will enter into collaborations with co-lending partner and execute a Master Co-Lending Agreement with the Partnering Bank / FI detailing the scope and other terms & conditions as required and in line with the guidelines issued by RBI.
- The Master Agreement will cover the co-lending model under co-branded co-origination arrangement or option for Partnering Bank / NBFC / HFC to take their share of the individual loans originated by Indiabulls Commercial Credit Ltd under Direct assignment model or both as case may be and agreed with Co-lending Partner.
- The company will chalk out a separate common lending policy in agreement with the partnering Bank / FI to source and process loans according to agreed common policy.
- The company shall open the designated Escrow accounts for the arrangement and ensure to process and route loans under co-lending through these specified accounts.

This policy shall be subject to, and read with, the RBI Circulars on Co origination and Co lending as referred earlier and/or the other Applicable Laws.