

Resolution Framework -2.0 for Individuals/Self-employed- Auto Loans

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1. Name of the Scheme

Resolution Framework for COVID-19-related Stress for Individuals/Self Employed – Auto loans

2. Basis

This document is based on RBI Circular –

- Resolution Framework for COVID-19 related Stress issued vide notification no. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 on August 6, 2020. & RBI/2020-21/34 DOR.No.BP.BC/13/21.04.048/2020-21 on September 7, 2020.
- Resolution Framework – 2.0 for COVID-19 related Stress for individual and small business (Notification No. RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22) dated May 05, 2021

3. Purpose of the Scheme

The economic fallout on account of the Covid-19 pandemic has led to significant financial stress for borrowers. Acknowledging the stress due to COVID, RBI has issued above mentioned circular to allow onetime restructuring of cases without impacting the Asset classification. The resultant stress can potentially impact the long-term viability of borrowers, which otherwise having a good track record, due to their debt burden becoming disproportionate relative to their cash flow generation abilities.

Such wide spread impact could impair the entire recovery process, posing significant financial stability risks. Basis the framework and regulatory guidelines the lending institutions can implement the resolution policy for individuals/self-employed that have been impacted due to the COVID-19 pandemic.

Further, resurgence of Covid-19 pandemic in India since March 21 and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, RBI has announced revised set of measures for allowing restructuring to individual & Small Business customer under the Resolution Framework 2.0 dated 5th May 2021. Above measures are broadly in line with earlier release Framework - 1.0, with certain modifications.

VWFPL will implement a resolution plan in respect of eligible Individuals/self-employed of auto loans while classifying such exposures as Standard, subject to fulfillment of conditions laid down

in the RBI circular. VWFPL assess the viability of the resolution plan, subject to the prudential boundaries laid out.

Customers which do not fulfill the required eligibility conditions mentioned in the RBI circular dated August 06, 2020 can still be considered for resolution under Prudential Framework for Resolution of Stressed Assets dated June 7, 2019. i.e. they still can be restructured but will not get benefit of Asset classification.

4. Eligible Entity

- a. The resolution under this facility is extended only to those borrowers who are having financial stress because of Covid 19 Pandemic.
- b. Individual with aggregate exposure is up to Rs. 25 crores and meeting the conditions laid down hereunder are eligible under Resolution framework 2.0 provided they have not availed of restructuring under any of the earlier restructuring framework (including Resolution Framework 1.0 dated August 6, 2020)
- c. Applicable to all Individual / Self-employed Borrower of auto loans (excluding loans for commercial use). VWFPL employees will not be eligible for resolution under this Resolution Framework 2.0.
- d. Customer who have taken Loan on and after March 1, 2020 are not eligible under this policy.
- e. Due to operational limitations, Customer having exposure higher than or equal to 100,000/- (Future Principal + Overdue EMI) as on 31st March, 2021 will be considered for restructuring.
- f. Only those borrower accounts shall be eligible for resolution under this framework which were classified as standard, & below 30 days with VWFPL as on 31st March, 2021.
- g. The accounts should continue to remain standard as on March 31, 2021 till the date of invocation. Resolution under this framework may be invoked not later than 30th September, 2021 and must be implemented within 90 days from the date of invocation.
- h. This restructuring scheme is not applicable for Residual Value product.

5. Resolution Plan

The resolution plan may include rescheduling of payments, conversion of interest accrued or to be accrued, into another credit facility or granting of moratorium based on assessment of income of borrower, subject to maximum period of two years and will come into force immediately after implementation of resolution plan. Correspondingly, the overall tenor of loan may also get modified. The moratorium period, if granted shall come into force immediately upon implementation of resolution plan.

The resolution plan shall be deemed to be implemented only if all of the following conditions are met:

- a. all related documentation required for Credit underwriting such as bank statement, documents, salary slip etc, including execution of necessary agreements between

- VWFPL and borrower, are completed in consonance with the resolution plan being implemented;
- b. the changes in the terms of conditions of the loans get duly reflected in the in the VWFPL system
 - c. borrower is not in default with VWFPL as per the revised terms.

VWFPL will allow extension of the residual tenor of the loan, with or without payment moratorium, by a period not more than two years.

Individual borrowers who availed Restructuring of loans under Resolution Framework 1.0, where the resolution plan permitted a moratorium for less than 2 years. VWFPL is permitted to use this window to modify such plans only to the extent of increasing the period of the moratorium up to the total of 2 years. The overall caps on moratorium under Resolution framework 1.0 and this framework combined, shall not more than two years.

The overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be two years.

6. Execution & Implementation

Credit team will assess the eligibility of the borrower basis the repayment track of borrower and document provided before granting the resolution. Necessary documents need to be submitted by individual/ self-employed customer to assess whether the borrower have affected due to COVID-19 pandemic. The List of document & CIBIL check requirement is mentioned in the Standard Operating Process (SOP) document.

Collection team will primarily responsible to collect the document from customer. Further Sales & Customer Service will also support document collection process and submit the same to collection department. All the customer request will be compiled together by Collections team and share it with Credit department for approval. Customer's consent need to be obtained by email /Letter/ Call (Recorded line)

Credit manager should take the decision basis the overall case profile. As the existing LAN will be modified in system, Credit approval for the restructured cases will be done outside the system through email and the approval and document submitted by customer will be stored for future Internal & Regulatory audits.

The final step in the underwriting process is the decision either to accept or reject credit application after necessary due diligence. Approving authority will be Head of credit

The information will be passed on to the Collection team and IT team for changes in system. Modification in the existing LAN of the customer will be done by IT team after the Loan

restructuring agreement is signed by all borrowers/ Co-borrowers along with revised EMI cheque/ NACH wherever applicable.

The IT team will receive the loan modification details from collection team including revised tenor, revised EMI etc. basis which they will make the necessary changes in customer account and the revised Statement of accounts will be generated in system for the customer. Also the Dpd status and the Asset classification will also change

VWFPL Customer care department will communicate the final credit decision on restructuring application to the customer within 30 days of application. Credit Department will ensure that information pertaining to approval / rejection is passed on to the Customer care department on daily basis through an MIS

RBI has further clarified that the instructions contained in the circular *DOR.No.BP.BC/13/21.04.048/2020-21 dated September 7, 2020 on "Resolution Framework for COVID-19-related Stress – Financial Parameters"* **shall not be applicable** to resolution plans implemented under this window.

VWFPL will ensure that the resolution plan is finalised and implemented within 90 days from the date of invocation of the resolution process under this window. The restructuring process under Resolution Framework 2.0 for COVID 19 related stress will be treated as invoked only when VWFPL and the borrower agree to proceed with the efforts towards finalizing a restructuring plan to be implemented in respect of the borrower.

The resolution plan will be deemed to be implemented only if all the conditions are met.

7. Customer Support

Customer Service department will be primarily responsible to handle any customer complaint / request pertaining to Resolution as per RBI Norms. Credit & Collection department will provide support to Customer service department & provide required information on timely basis to Customer Service department

Customer can reach Customer service department on
Customer Helpline number: +912239521212 or alternatively
email at CustomerCare.India@vwfs.com.
Escalation matrix is provided on company's website: www.vwfs.co.in

8. Post Implementation Performance

Monitoring of performance will be on regular basis where the resolution plan implemented. The monitoring of portfolio performance will be the responsibility of Collection & Risk.

9. Disclosure Requirements

Necessary disclosures in financial statements will be made as prescribed by RBI.

VWFPL will also make additional disclosures required during finalization of annual financial statements, as prescribed by RBI.

10. Credit Reporting

The credit reporting by the lending institutions in respect of borrowers where the resolution plan is implemented under this facility shall reflect the “restructured due to COVID-19” status of the account if the resolution plan involves renegotiations that would be classified as restructuring under the Prudential Framework. The credit history of the borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured.

11. Asset Quality & Provision

For all the borrowers, where resolution plan is implemented in adherence to RBI circular, the Asset classification of borrowers’ accounts will be classified as Standard may be continued as such upon implementation, also in case if the borrowers’ accounts have slipped into NPA between invocation and implementation will be upgraded as Standard, as on the date of implementation of the plan accordance to the guidance provided in the circular.

Additional finance to borrowers in respect of whom the resolution plan has been invoked, if sanctioned even before implementation of the plan in order to meet the interim liquidity requirements of the borrower, may be classified as ‘standard asset’ till implementation of the plan regardless of the actual performance of the borrower with respect to such facilities in the interim.

However, if the resolution plan is not implemented within the stipulated timelines, the asset classification of the additional finance sanctioned will be as per the actual performance of the borrower with respect to the additional finance or the rest of the credit facilities, whichever is worse.

For all the borrowers where resolution plan is implemented as per this policy, VWFPL will maintain provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation or 10 percent of the renegotiated debt exposure of the Company post implementation (residual debt).

The provisions required to be maintained under this window, to the extent not already reversed, shall be available for:

- (i) the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA; as well as,

- (ii) the additional provisioning requirements on account of Paragraph 17 of the Prudential Framework, as and when the Prudential Framework becomes applicable in respect of the particular account.

12. Reversal of Provisions

As instructed in RBI Circular, VWFPL can reverse the additional provision as mentioned in section 11 above in a phased manner. 50% of the provisions created will be written back once the borrower pays at least 20 percent of the residual debt without slipping into NPA post implementation of the plan, and the balance 50% will be written back once the borrower pays another 10 per cent of the residual debt without slipping into NPA subsequently.

The above provisions shall not be written back before one year from the commencement of the first payment of principal or interest on credit facility unless fully paid by borrower.