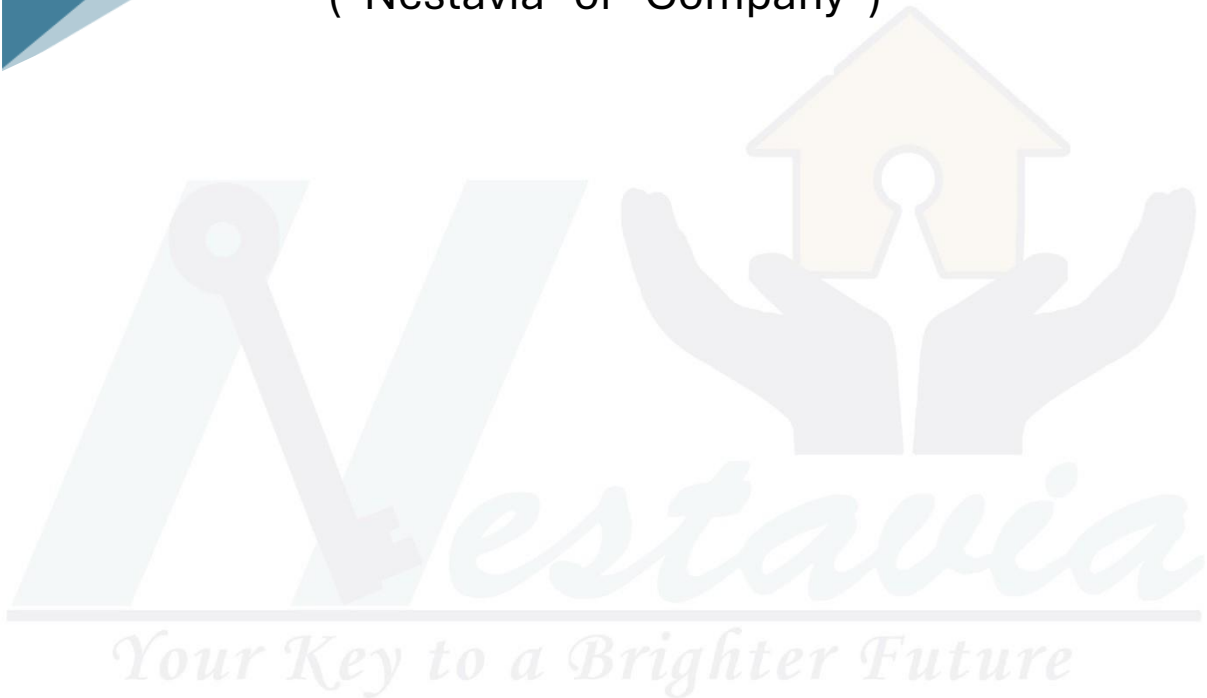




# Nestavia Home Finance Private Limited

("Nestavia" or "Company")



## Policy on Interest Rate & Penal Charges

**Name of the Policy: Policy on Interest Rate and Penal Charges**

**Policy Number: IRPC-03/2026**

**PREAMBLE**

Nestavia Home Finance Private Limited (hereinafter referred to as "Nestavia" or "the Company") recognizes that the success of the organization is built on a foundation of trust, integrity, and ethical behaviour.

This **Policy on Interest Rate & Penal Charges** is designed to provide an outline for the framework for determining interest rates and penal charges using loan asset pricing model to determine the appropriate interest rate and charges for extending home loans and mortgage loans. It aims to promote transparency, fairness, and consistency in our lending practices.

This Policy is framed in compliance with all the applicable regulations including those from the Reserve Bank of India (RBI), National Housing Bank (NHB), etc.

<b>Prepared and Proposed By</b>	Head – Credit
<b>Reviewed and Recommended By</b>	Managing Director and Chief Executive Officer
<b>Approved By</b>	Board of Directors
<b>Date of Approval</b>	30-Apr-2026

**RESPONSIBILITY ASSIGNMENT MATRIX**

<b>Responsibility for Implementation</b>	Credit & Operations Department
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**VERSION CONTROL**

<b>Version No.</b>	<b>Date of Approval by Board of Directors</b>	<b>Key Highlights/Changes</b>
1.0	09-Jul-2025	Roll-out of policy
2.0	23-Oct-2025	Changes with regards to approach for gradation of risk
3.0	30-Apr-2026	Updated upon Annual Review

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## 1. Objective

The objectives of this Policy on Interest Rate & Penal Charges are as follows:

- 1) To bring about an objective assessment using the interest rate model in pricing loan products financed by the Company,
- 2) To ensure the approach for risk gradation and the rationale for charging different rates of interest for different category of borrowers is in line with business and regulatory requirements prescribed under the Reserve Bank of India (Housing Finance Companies) Directions, 2025 read with Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025, as amended from time to time, where the Board of each Housing Finance Company shall adopt an interest rate model.
- 3) To ensure with the disclosure requirements on penal and other charges in line with Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025.

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## 2. Scope and applicability

The scope of this policy is to design the principles and procedures to be followed by the Company in determining interest rates and other charges to be used for different types of loans and the review process to be followed for revising the same on periodic basis.

It applies to Home Loans, Mortgage and other Loans for individuals as well as non-individuals and to be used by ALCO Committee for determination of interest rates for lending, followed by the review in Risk Management Committee and the Board.

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## 3. Definitions

- **ALCO:** It shall refer to the Asset and Liability Management Committee of the Company as approved by the Board of Directors.
  - **EMI:** Equated Monthly Instalments upon commencement of repayment.
  - **PEMI:** Pre-Equated Monthly Instalments till the date of commencement of repayment through EMIs.
  - **Nest PLR:** It shall refer to the Prime Lending Rate of Nestavia Home Finance Private Limited.
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#### 4. Approach to Gradation of Risk and Interest Rate Model

The rate of interest will be different for different categories of borrowers. The lending rate will be arrived by considering profile of the customer, tenure of loan, past repayment track record of the customer, customer segment, market reputation, inherent credit and default risk in the products, future potential, Loan-to Value (LTV) ratio, nature and value of primary and collateral security, subject to permissible deviations. The interest rate charged to customer for loan product shall be benchmarked to PLR of the Company. The PLR shall be arrived at based on the weighted average cost of funds, operating cost, administrative costs, credit losses, margin, etc. PLR of the company shall be monitored periodically by the Asset Liability Management Committee (ALCO) of the Company.

##### 4.1 Regulatory Compliance

- **RBI Guidelines:** As per RBI's directives, Housing Finance Companies (HFCs) are required to adopt a transparent and structured approach in determining interest rates. This includes linking interest rates to an external benchmark, such as Repo-Linked Lending Rate (RLLR), the Marginal Cost of Funds-based Lending Rate (MCLR) or the External Benchmark Lending Rate (EBLR), to ensure better transmission of monetary policy.
- **NHB Regulations:** The NHB mandates that HFCs disclose their interest rate model and any changes thereto on their official website, ensuring that borrowers are well-informed.

##### 4.2 Interest Rate Components

The interest rate charged to borrowers will comprise:

- **Benchmark Rate:** The chosen internal benchmark like Nest PLR or external benchmark (e.g., Repo, MCLR).
- **Spread:** A margin added to the benchmark rate, reflecting the company's cost of funds, operational expenses, credit cost, margin, risk premium
- Key factors in assessing the risk (gradation of risk) are as follows:
  - **Borrower profile:** This includes a borrower's credit history, past repayment performance, financial stability, market reputation, and even demographic factors like age, occupation, and marital status.
  - **Loan characteristics:** The type of product, the security offered (like collateral), the loan-to-value ratio, the tenure of the loan, and the end-use of the funds are all taken into account.
  - **Loan-to-value (LTV) ratio:** The ratio of the loan amount to the value of the asset being financed is a critical factor in risk assessment.
  - **Repayment capacity and past credit history:** The borrower's ability to repay, based on their cash flows and other financial commitments, is crucial. A strong past repayment track record is a positive indicator.

A higher risk profile typically results in a higher interest rate to compensate the lender for the increased risk of default. Conversely, borrowers with a lower risk profile may be offered a lower interest rate. This approach allows for a risk-based pricing model where the interest rate is tailored to each individual loan rather than a uniform rate for all borrowers.

Hence, the rate of interest is determined on case-to-case basis and for the same product availed during the same period by different customers, it may vary depending upon consideration of all or a combination of the above factors.

#### 4.3 Transparency and Disclosure

- **Key Fact Statement (KFS):** All prospective borrowers will be provided with a KFS detailing the interest rate model, benchmark rate, spread, and the effective interest rate.
- **Website Disclosure:** The company will maintain an updated list of interest rates and any changes thereto on its official website.

#### 4.4 Interest Rate Reset

- **Frequency:** Interest rates will be subject to review and reset at regular intervals, not exceeding one year, in line with the terms agreed upon with the borrower.
- **Communication:** Borrowers will be notified in advance of any changes to the interest rate.

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### 5. Policy for Penal Charges

#### 5.1 Definition and Regulatory Framework

- **Penal Charges:** Charges levied for non-compliance with the material terms and conditions of the loan agreement.
- **RBI Guidelines:** As per RBI's Fair Lending Practices, penal charges should not be used as a revenue enhancement tool. They must be reasonable, transparent, and disclosed upfront.

#### 5.2 Components of Penal Charges

Penal charges may include:

- **Late Payment Charges:** For delayed payment of EMIs or dues.
- **Instrument Bounce Charges:** For dis-honoured cheques, mandates like E-NACH, NACH, direct debit, UPI etc.
- **Document Submission Delays:** For failure to submit required documents within stipulated timelines.

### 5.3 Determination of Penal Charges

- **Reasonableness:** The quantum of penal charges will be commensurate with the nature and extent of the borrower's default.
- **Non-Discriminatory:** Penal charges will be uniform across similar loan categories and borrower profiles.
- **Non-Capitalization:** There shall not be any capitalisation of penal charges, i.e., no further interest computed on such charges.

### 5.4 Transparency and Disclosure

- **Loan Agreement:** All applicable penal charges will be clearly mentioned in the loan agreement.
- **MITC and KFS:** Details of important terms and conditions and schedule of fees and charges including penal charges are included in the MITC and KFS as applicable which are provided to every prospective borrower.
- **Website Disclosure:** An updated list of all fees and charges including penal charges are available on the company's official website.

### 5.5 Communication with Borrowers

- **Reminders:** Borrowers will be sent reminders prior to the imposition of penal charges, detailing the nature of the default and the applicable charges.
  - **Notifications:** In the event of penal charges being levied, borrowers will be promptly notified, along with the reasons for such charges.
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## 6. Compliance and Monitoring

- **Internal Audits:** Regular audits will be conducted to ensure adherence to this policy and regulatory guidelines.
  - **Training:** Staff will undergo periodic training on the interest rate model and penal charges policy to ensure consistent implementation.
  - **Grievance Redressal:** A mechanism will be in place for borrowers to raise concerns or disputes regarding interest rates and penal charges. This will be in line with the Fair Practices Code prescribed by the RBI.
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## 7. Policy review and amendments

This Policy on Interest Rate & Penal Charges will be reviewed periodically and updated to reflect changes in the market interest rates, changes in law, industry best practices and

organizational needs. All employees and customers will be notified of any updates, and they are expected to comply with the latest version of this policy.

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This Policy on Interest Rate & Penal Charges serves as the basis for determining the APR for the customer in terms of both interest rate and the charges/fees at **Nestavia Home Finance Private Limited**.

**By adhering to this Policy, Nestavia Home Finance Private Limited seeks to establish lasting relationships based on trust, fairness, and transparency with all its customers.**

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