

COVID – 19 Relief package - Moratorium on term loans and working capital loans

Term Loans, Housing Loan, Loan Against Property, Auto Loan, Education Loan, Gold Loan & Personal Loan

RBI vide its circulars dated 27th March 2020, 17th April 2020 & 23rd May 2020 has announced several measures with respect to rescheduling of payments and easing of working capital finance. The regulatory measures were announced to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses.

There may be a temporary disruption in the Cash Flows, and in some cases loss of income, for the businesses/ individuals, the Scheme will bring relief to such borrowers. All those borrowers who have a regular stream of cash flow should opt for the continuation of the regular EMI. Some of the salient features of this relief package are as follows:

1. Relief provided under COVID 19- regulatory package

Deferment in repayments of EMI and interest on working capital loans for repayments falling due up to 31st August 2020.

2. Process to be followed for getting the benefit under COVID-19 regulatory package

The scheme will be applicable to all standard term loans as on March 1, 2020. Wherever the March 2020 installment has already paid by the borrower, the relief would be applicable for the EMI payable for subsequent months up to August 2020.

3. Moratorium Benefit

A moratorium of up to three months on payment of EMI installments/interest payment in working capital accounts falling due between March 1, 2020 and August 31, 2020 will be offered. During the said moratorium period, interest shall continue to accrue on the outstanding portion of the term loan. The Interest accrued during a period of the moratorium will be added to the outstanding loan amount at the end of the moratorium period and the repayment schedule for such loans will be reframed. Accordingly, the residual tenor will be shifted to adjust the benefit availed by the borrower during the moratorium period.

4. Process after completion of moratorium

Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period and will be added in the loan amount. The repayment schedule for such loans will be reframed and accordingly, the residual tenor will be shifted by a few months.

5. Impact of moratorium period on credit rating

Non-repayment of overdue during the moratorium period will not affect the Credit rating.