

GP Parsik Sahakari Bank Ltd announces relief package for loans/ credit facilities to its borrowers

FREQUENTLY ASKED QUESTIONS

RBI Allowed Banks to Declare Moratorium on Term Loans

The Reserve Bank of India has allowed Banks to declare a three-month moratorium on all term loans outstanding as on March 1, 2020, as well as on working capital facilities.

GENERAL FAQs on Relief Package by RBI

1. What was the RBI announcement?

The Reserve Bank of India permitted Banks to grant a three-month moratorium on payments of all installments on term loans outstanding as on March 1, 2020, as well as interest on working capital facilities vide its circular dated 27th March 2020. RBI has now extended the moratorium period by further period of 3 months i.e from 1st June 2020 to 31st August, 2020 vide its circular dated 23rd May 2020.

2. Why has RBI announced the relief package?

Reserve Bank of India has announced certain regulatory measures 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. It was felt that there may be a temporary disruption in the cash flows, and in some cases loss of income, for the businesses/ individuals and the present measures work to bring relief to those businesses / individuals.

3. Which are the facilities eligible for availing the benefits under the RBI COVID-19 regulatory package and whether the facility is extended across the board to all borrowers?

All term loans (including agricultural term loans, retail, crop loans and loans under Pool Purchases) and cash credit/overdraft are eligible to avail the benefits under the package. This is available to all such accounts, which are standard assets as on 1st March 2020. Further, to avoid unnecessary paperwork the facility has been extended across the board to all the borrowers by extending repayment of term loan installments (includes interest) by further 3 months in addition to the previous extension of 3 months. The original repayment period for term loans will get extended by 6 months e.g. a loan repayable in 60 installments maturing on 1st March 2025 will now mature on 1st August, 2025.

4. Is rescheduling of payments applicable for all kinds of term loans?

It is applicable for all term loans in all the segments, irrespective of the segment and the tenor of the term loans.

5. Is rescheduling of term loans only for principal amount or it also includes interest?

Rescheduling of principal can be done for a period of further three months in addition to previous three months extension, falling due between 1st March , 2020 and 31st August 2020. For example, where the last installment of a term loan falls due for payment of on say 1st March 2020, it will become payable on 1st August 2020. For EMI based term loans, it will be six EMIs falling due between 1st March 2020 and 31st August 2020 and the tenor will be extended by six months and have to be repaid during the extended period, as per the example under (3) above. For other term loans, it will be all the installments and Interest falling due during the same period, irrespective of the tenor of payment i.e. monthly, quarterly, half yearly, annually, bullet payment etc. For term loans, where the repayment has not commenced, the interest portion for six months alone needs to be reckoned.

6. What happens after the moratorium period ends? Will I have to pay all my EMIs at once? What will be my EMI after the EMI Moratorium period?

There will be Interest accrued on the outstanding portion of the loan during the EMI moratorium period. This interest will be added into the loan amount outstanding and will result in increase of loan tenor by 6 months. Therefore, the new EMI to be paid after the moratorium will be higher than existing EMI, and will depend on your Principal outstanding and number of EMIs already paid. You will be provided with the revised Loan Repayment Schedule, which will adjust the accrued interest during the moratorium period to derive the new EMI

7. What will be the treatment of interest on the working capital facilities?

The recovery of Interest applied to cash credit/overdraft on 31st March, 30th April , 31st May, 30th, June, 31st July, 31st August 2020, is being 'deferred'. The customer can opt to pay the entire interest from its own source or may opt for conversion of accumulated Interest for the deferment period upto 31st August 2020 into Term Loan which shall be repayable not later than 31st March 2021. Customer should approach with a request letter to the bank for conversion of accumulated interest on working capital facilities into Term Loan.

8. Does this moratorium period affect my credit rating?

No. The credit rating during the Moratorium Period shall remain unchanged.

9. That means businesses/ Individuals should necessarily take the benefit?

You may take the benefits under this package if there is a disruption in your cash flows or there is loss of income. However, you must take into account that the interest on the loans, though not mandatorily payable immediately and gets postponed by 6 months, continues to accrue on your account and results in higher cost.

10. What about interchangeability being permitted from non-fund based to fund based or FB to NFB for businesses?

The interest applied on the fund based portion of interchangeability availed during the said period of 1st March to 31st August 2020 will be eligible for moratorium. In respect of new sanctions accorded from 1st March and availed during the period, the interest applied on the Fund based portion would be eligible.

11. What about installments/EMIs being recovered through SI/ECS/NACH? What will be the procedure for refund of the installment/EMIs, if demanded by the borrower?

Please get in touch with your home branch for the revised mandate