

MORATORIUM OF LOAN TO CUSTOMER IN CONTEXT OF COVID-19 – POLICY

Regulatory Package – Moratorium of Loan to Customer in Context of Covid-19 – Policy

In view of COVID-19 impact, on 27th March 2020, the Reserve Bank of India (RBI) has issued communication to mitigate the burden of debt servicing and to ensure the continuity of viable businesses. (RBI Notification Ref: no RBI/2019-20/ 186 DOR. No. BP. BC. 47 / 21. 04. 048/2019-20 “COVID-19 – Regulatory Package” dated March 27, 2020). The moratorium/deferment is being provided specifically to enable the borrowers to tide over the economic fallout from COVID-19.

A. Applicability:

This policy applies to all credit facilities granted and disbursed by the company outstanding as on March 31st, 2020.

B. Moratorium and Terms/Conditions – Microloans:

1. Conditions:

- a) In respect of all term loans a moratorium of three months will be granted on payment of all instalments falling between **March 1,2020 to May 31,2020**. To explain, repayment falling due in Mar 2020 will be due/collected in June 2020, repayment falling due in Apr 2020 will be due/collected in July 2020 and repayment falling due in May 2020 will be due/collected in Aug 2020.
- b) Customer who wish to repay their instalment as per the original schedule need to pay to avoid accrued interest for the moratorium period. Such customers/groups must be provided with a digital payments payment mode (via UPI ID or QR Code) .
- c) We are providing moratorium for instalments falling due after 1 Mar 2020, against which the payment has not been received. However, if the customer has paid repayment due in Mar 2020 and wants to avail moratorium benefit on Mar 2020 repayment, this can be considered. In such case, repayment received in Mar 2020 would be considered as prepayment and adjusted with June 2020 repayment.
- d) We are providing moratorium to loan which was delinquent as on 1st March 2020.
- e) Customers will be provided moratorium, if they wish to opt for.

2. Accrued Interest

- a) Accrued interest will be applicable on the outstanding portion of the loan during moratorium period.
- b) Accrued interest rate will be calculated for the moratorium period at the interest rate agreed in the original agreement of the loan.

- c) Accrued interest will not be charged on 'moratorium period interest' if it is not collected upfront.

3. Other important Points:

- a) The field staff to provide clear communication directly to the customer about moratorium – changes in tenor, instalment amount, accrued interest amount and take her consent for changes in terms and conditions on the loans at the time of the center meeting. This needs to be informed via call/ alternate modes. However, consent will be obtained on first meeting date of centre meeting resumption.
- b) The field staff should inform the customer who are delinquent on 29th Feb 2020, that her overdue interest impact will be far higher due to previous over dues.
- c) The loan already classified as NPA shall continue with the same classification, however, may be granted an exemption from payment during the moratorium period and there shall not be any further asset classification deterioration during the moratorium period.
- d) The loan account can be pre-closed if the customer wants so during the moratorium period.
- e) The borrower should not have been classified as willful defaulter/ Fraud classified by Samasta Microfinance Ltd or other MFI/ Financial institutions.

4. Legal & documentations matters:

- a) Loan specific conditions may be laid down by the Company for the above relief.
- b) In respect of concessions/reliefs granted under this policy, requisite documentation may be taken by the Bank, including through electronic form.
- c) We will provide the revised loan repayment schedule (Loan card) to the customers opting for moratorium.
- d) Post normalcy, loan card will be updated and distributed, as necessary.

5. Validity of the scheme:

This policy shall be valid up to 31st May 2020 or further period as may be extended by RBI.

6. Prudential norms:

- a) The moratorium/deferment granted to borrowers will not qualify as default on the part of borrowers for the purposes of supervisory reporting and reporting to credit information companies (CICs).
- b) The relief given as above as per the special dispensation given by RBI will not result in any downgrade of asset classification.
- c) However, if there is an existing default like interest/principal due up to February 29, 2020, the usual asset classification and provisioning norms will apply.

C. Moratorium for Term loans – Retail Loans:

- a) The repayment schedule of term loans will shift by up to three months and the tenor of the term loan will be commensurately extended.
- b) The instalment amounts / EMIs will be appropriately recalculated, including interest during moratorium period.

- c) If borrowers have already paid their instalments or serviced their interest for March 2020, such borrowers can avail moratorium for installments falling due in April and May 2020.
- d) The Bank would be presenting the post-dated cheques / actioning ECS or NACH - mandates etc., provided by the customers, for collection as per the respective due dates. Customers that are desirous of availing the relief under the RBI circular, should send a communication to the Samasta within seven days (or extended date as may be permitted by the Company) from their first due date falling on or after April 1, 2020 through available medium of communication during lockdown.
- e) Please note that this scheme will not be treated as change in terms and conditions of loan agreements due to financial difficulty of the borrowers.

The company will facilitate in credit linked life insurance for the extended terms of the loan and the customer will be bearing the cost as per the existing rates.

(The details FAQ – Staff for implementation is enclosed for ready reference in Page no. 4 and 5)

While this policy outlines the broad internal guidance that the company will follow to take decisions regarding moratorium, the company shall retain the discretion to take decisions regarding this policy depending on case specific issues or nuances. The company reserves the right to amend the policy within the framework of RBI regulations.

Annexure No.- Frequently Asked Questions (FAQs) for COVID-19 Regulatory Package – Moratorium of EMI/ Interest

1. What is the meaning of Moratorium?

Ans: A moratorium period is a time during the term of loan when the borrower is not required to make any repayment of EMI / Interest due for a certain period. This is just deferment of EMI/ interest dues and Not Waiver of the EMI/Interest amount. For Example, if due date of EMI is 5th April 20- and 2-months Moratorium is opted then, this EMI will be payable on 5th Jun 2020.

2. To whom Moratorium option is available?

Ans: Moratorium period is available to all categories of borrowers who have availed term loan facility. The RBI regulations explicitly mentions all term loans, which includes agricultural term loans, business loans, crop loans, home loans, personal loans, and any loans which have a fixed tenure. The borrower can opt for EMI/ Interest Moratorium

3. Is the moratorium on principal or interest or both?

Ans: The repayment schedule and all subsequent due dates, as also the tenor for loans may be shifted by three months (or the period of moratorium granted by the lending institution). Instalments will include payments falling due from March 1, 2020 to May 31, 2020 in the form of-

- a) Principal and/or interest components.
- b) Equated Monthly instalments.

4. What shall be the moratorium period?

Ans:- Lending Institutions may use their discretion to allow a moratorium of upto three months. It is not necessary to provide a compulsory moratorium of three months- it can be less than three months as well. Practically, we envisage that all lenders shall grant a moratorium to all borrowers across board for 3 months.

5. How will the moratorium impact the existing loan tenure?

Ans:- In case a moratorium is granted, the RBI circular states that the repayment schedule for such loans as also the residual tenure, will be shifted across by three months after the moratorium period.

However, in certain cases of long tenure loans (say, Sampark loans), the additional burden on the borrower due to the accrued interest (and interest on such interest) would cause the amount to swell so much that paying the accumulated interest in one go may not be feasible. This may require the lender to convert the accrued interest also into instalments.

6. Can the borrower pay in between the moratorium period?

Ans:- It is a relief granted to the borrower due to disruption caused by the sudden lockdown. However, the option lies with the borrower to either repay the loan during this moratorium as per the actual due dates or avail the benefit of the moratorium.

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8. Can customer opt for partial Moratorium, means can I pay EMI for 1 month and opt for 2 months moratorium only or vice versa?

Ans: Yes, Samasta is allowing its customers to opt for partial moratorium, means customer can choose moratorium period as 1 month, or 2 month also (till 31st May 2020).

9. Can customer have option not to choose moratorium and continue to pay EMI or Interest?

Ans: Yes, customer has an option to continue paying EMI and interest as is being paid by the customer in normal course.

10. A loan was in default already as on 1st March, 2020. The Company has various security interests – say a mortgage, or a pledge. Will the company be precluded from exercising security interest during the holiday period? – (Applicable only for Sampark- Retail Loans)

Ans:- The moratorium is only for what instalments/payments were due from 1st March 2020 upto the period of moratorium conferred by the lender (so, 31st May, in case of a 3-month moratorium). The same does not affect payment obligations that have already fallen due before 1st March 2020. Hence, if there was a default, and there were remedies available to the lender as on 1st March already, the same will not be affected.

However, note that for using the powers under the SARFAESI Act, the facility has to be characterised as non-performing. Unless the facility was already a non-

performing loan, the intervening holiday will defer the NPA categorisation. In that case, the use of SARFAESI powers will be deferred until NPA categorisation happens.

11. Will the delayed payment by the borrower due to the moratorium have an impact on its Credit score?

The moratorium on term loans, microfinance loans will not qualify as a default for the purposes of supervisory reporting and reporting to credit bureau by the lending institutions. Hence, there will be no adverse impact on the credit history of the beneficiaries.
