

FAQs on Covid-19 Relief Measures

1. Why RBI has 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.

2. Which are the facilities eligible for availing the benefits under the RBI Covid19 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 instalments (includes interest) by 90 days. The original repayment period for Term Loans will get extended by 90 days e.g. a loan repayable in 60 instalments maturing on 1st March 2025 will mature on 1st June 2025.

3. Is rescheduling of payments applicable for all kinds of Terms Loans?

It is applicable for all Term Loans in all the Segments, irrespective of the Segment and the tenor of the Term Loans.

4. Is rescheduling of Term Loans only for Principal amount or it also includes interest?

Rescheduling of Principal can be done for a period of three months falling due between March 1, 2020 and May 31, 2020. For example, where the last instalment of a Term Loan falls due for payment of on say 1st March 2020, it will become payable on 1st June 2020.

For EMI based Term Loans, it will be three EMIs falling due between 1st March 2020 and May 31st, 2020 and the tenor will be extended by three months and have to be repaid during the extended period, as per the example under (2) above.

For other Term Loans, it will be all the instalments 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 three months alone needs to be reckoned.

5. What happens if the extended Tenor of Term Loan goes beyond the maximum period stipulated for a Product or as stipulated in the Loan Policy?

This can be extended for all such Term Loans without the need for seeking deviations or approvals.

6. 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 and 31st May 2020 is being 'deferred'. However, the entire interest must be recovered along with the interest being applied on 30th June 2020 and in cases, where monthly interest is not being applied, along with the next interest date.

7. What will be the impact of this relief by RBI on borrowers as far as reporting of default is concerned?

Any delay in payment leads to default and gets reported to Credit Bureaus. For business loans of Rs. 5 Crores and above, the Banks report the overdue position to RBI also through CRILC. As a result of this relief package, the overdue payments post 1 st March 2020 will not be reported to Credit Bureaus/ CRILC for three months. No penal interest or charges will be payable to the Banks. Similarly, SEBI has allowed that Credit Rating Agencies (CRAs) may not consider the delay as default by listed companies if the same is owing to lockdown conditions arising due to Covid-19.

8. 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 3 months, continues to accrue on your account and results in higher cost.

To give you a perspective, suppose your loan outstanding is Rs 100,000 and you are charged 12% rate of interest on your loans, then every month you are liable to pay Rs. 1000 as interest. In case you opt not to service the interest every month, you are liable to pay interest at 12% p.a. and accordingly you will pay Rs. 3030.10 at the end of 3rd month. Similarly, in case the interest rate is 10%, you are required to pay Rs. 833 p.m. or Rs. 2521 after three months.

9. Should I get upset if any Bank Staff or its collection agent approach me for repayment?

You should not get upset and tell Bank Staff/ Collection Agent that you want to avail the benefit being extended under regulatory package.

10. What about interchangeability being permitted from NFB to FB 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 May 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. In what other ways, businesses have been given relief

The businesses may request the Bank to re-assess their Working Capital requirements on account of disruption of their cash flows or elongation of Working Capital Cycle. They may also request for reduction in margin on NFB facilities (LCs/ BGs etc) or also relief in Security. Decision will be taken by the Bank branches on case-to-case basis based on the genuineness of the request.

12. Are NBFCs/MFIs/HFCs eligible under the” Easing of Working Capital Financing”?

At present, they are not eligible under the scheme.

13. Will all these measures of RBI be treated as “restructuring”? What about the provisions applicable?

The measures stipulated by RBI under the March 27, 2020 circular on COVID 19 Regulatory Package will not be treated as “Restructuring” and hence will not result in asset classification downgrade. Accordingly, the enhanced provisions for Restructured Accounts will not apply.

14. What about instalments/EMIs being recovered through SI/ECS/NACH? What will be the procedure for refund of the instalment/EMIs, if demanded by the Borrower?

In respect of March 2020 installment, if already recovered and the borrower wishes reimbursement/refund of the same then the borrower shall submit a request to the branch. For stopping the recovery of installments for April and May 2020 borrower need to submit a request to the branch for stopping the SI/ NACH recovery. For details, customers are requested to call on Home Branch or visit our website bank.sbi.