

General FAQs on recent regulation issued by RBI

Q1. What is the recent regulation released by RBI that concerns the home loan customer?

A1. As per recent statement issued by RBI through press release dated 27th March, 2020, various developmental and regulatory policies have been announced that directly address the stress in financial conditions caused by COVID – 19.

All commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies and micro-finance institutions) (“lending institutions”) are being permitted to allow a moratorium of three months on payment of instalments in respect of all term loans outstanding as on March 1, 2020. Accordingly, the repayment schedule and subsequent due dates, as also the tenor for such loans, may be shifted across the board by three months.

Q2 What is the meaning of moratorium?

A2 Moratorium means a payment holiday. This means that during the period of moratorium no payment has to be made by the customer to the lending institution (PNBHFL). The interest which is accrued for the moratorium period shall become payable after the end of moratorium period. Thus this is like a deferment of payment.

Q3. Will opting for moratorium give relaxation of free EMI period?

A3. The idea of a moratorium is not to give you an interest free period but instead it is to help with cash flow.

Q4. Is this a waiver of EMIs or a deferment of EMIs?*

A4. This is not a waiver, but a deferment. Customer will have to pay the EMIs at a later as decided by the HFC / bank. The RBI has told financial institutions to have board-approved policies in place on moratorium/deferment.

Q5. Does the moratorium cover both Principal and Interest?*

A5. Yes. It does. If announced by bank / financial institution, you can forego payment of your entire EMI, including payment and interest.

Q6. Has the RBI granted a compulsory moratorium? Will PNBHFL grant moratorium to all loan customers by default

A6. No, the lending institutions have been permitted to allow a moratorium of three months. This is a relaxation offered by RBI to the lending institutions. This is neither an RBI guidance to the lenders, nor is it a leeway granted by the RBI to the borrowers to delay or defer the repayment of the loans.

Customers wanting to avail moratorium offer will need to specifically request / apply for the same. For ease of customers, the methodology has been made simple.

Q7 What shall be the moratorium period?

A7. PNBHL will give full 3 months tenure as a moratorium period.

Q8. From what date can the moratorium be granted?

A8. The lenders are permitted to grant a moratorium of three months on payment of all instalments falling due between March 1, 2020 and May 31, 2020. The intention is to shift the repayment dates by three months. Therefore, the moratorium should start from the due date, falling immediately after 1st March, 2020, against which the payment has not been made by the borrower.

For example, if an instalment was due on 15th March, 2020, but has remained unpaid so far, the lender can impose the moratorium from 15th March, 2020 and in that case, revised due date shall be 15th June, 2020.

Q9. Will the interest accrue during the moratorium period?

A9. Yes, the moratorium is a “payment holiday” however, the interest will definitely accrue. The accrual will not stop.

Q10. How will be the treatment of interest in the loan account?

A10. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

Q11. Please elaborate the aforementioned regulation and its impact on a customer’s loan account, with the help of an example?

A11. Please refer the below mentioned illustration to understand it better.

You have a home loan of Rs. 50 lakh at 8.5% interest for 10 years. The EMI is Rs. 62,000 (approximately).

You have to pay the first instalment in April, but you choose to take the moratorium. This means the principal of Rs. 50 lakh attracts interest at $8.5\%/12 = \text{Rs. } 35,000$. So your loan amount at the end of April is Rs. 50,35,000.

You don’t pay in May. Interest applies on the FULL amount of 50.35 lakh now, so it’s a little closer to Rs. 36,000 in May. The total outstanding becomes Rs. 50.71 lakh. After three months, your new principal is Rs. 51.07 lakh.

Effectively you’ll have about Rs. 1 lakh in extra interest to be paid to the bank.

The loan stretches three more months at the end, but this Rs. 1.07 lakh extra is additional so either you have to increase the EMI, or request for reduction in ROI.

It is therefore advisable to restrict the selection of moratorium option only in the scenario of cash flow issues.

Q12 In case a customer opts to go for moratorium offer, then will it have any adverse impact on CIBIL score?

A12. As per the released regulation, the rescheduling of payments will not qualify as a default for the purposes of supervisory reporting and reporting to credit information companies (CICs) by the lending institutions. CICs shall ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely affect the credit history of the beneficiaries.

Q13. Is it possible to apply for home loan as well opt for moratorium, at the same time?

A13. No, Moratorium is applicable for loans that existed as on March 1st, 2020.

Q14. Is the moratorium on principal or interest or both?

A14. 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 :

- (i) Principal and/or interest components;
- (ii) Bullet Repayments;
- (iii) Equated Monthly instalments;

Q15. Will there be delayed payment charges for the missing instalments during the moratorium period?

A15. Overdue interest will be applicable in case of default in payment. However, during the moratorium, the payment itself is contractually stopped. If there is no payment due, there is no question of a default. Therefore, there will be no overdue interest or delayed payment charges to be levied.

Q16. Which all loans shall be eligible for the relaxation?

A16. All term loans outstanding as on March 1, 2020 are eligible to claim the relaxation. This includes both the housing and non housing loans

Q17. Is the lending institution required to grant the moratorium to all categories of borrowers?

A17. Since the grant of the moratorium is completely discretionary, the lending institution may grant different moratoriums to different classes of borrowers based on the degree of disruption on a particular category of borrowers. However, the grant of the moratorium to different classes of borrowers should be making an intelligible distinction, and should not be discriminatory.

Q18. Can the borrower pay in between the moratorium period?

A18. 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. It cannot be both.

Q19. What will be the treatment in case of a customer with multiple loan accounts?

A19. A customer has to mention each loan account in his communication so that offer is considered against all linked loan account number(s).

Q20. When and how can the customer apply for moratorium?

A20. The customer can apply for moratorium anytime from today till 31/05/2020. Loan repayments in terms of EMI/ Pre EMI will not be applicable from the date of applying till the moratorium end date. Customers can apply through

- a) Website link
- b) Short code SMS at 56161
- c) E-mail
- d) Missed call at 8743950000 from his registered mobile number

Customers who do not apply through any of the medium as mentioned above will deem to have rejected/not accepted moratorium. In such case, regular EMI/Pre EMI will continue to be paid.