

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 If my EMI of March'20 is already paid , and the moratorium is only till 31st May 2020 ,how will I get a 3 month payment holiday?

A As per the directive of RBI payment holiday is to be available for 3 months. If you have already paid the March 2020 EMI – no problem - this EMI will be adjusted against the payment due in June 2020. This way you do not have to make any payment in the month of April 2020, May 2020 and June 2020. Thus, the 3-month relief on payment will be available to you. Please note that the payment holiday does not mean a waiver – it simply means a deferment. The interest which is accrued during the moratorium period will be payable after the end of moratorium period. The accrued interest will be added to the loan outstanding and the same will be payable as a part of the revised EMI which will become effective after end of moratorium period. Please refer to the below mentioned illustration for clarity

Loan Amount in beginning of February cycle is RS 10,00,000 EMI of RS 12000 Rate of interest 9% p.a,

Regular Loan Without Moratorium						
	Principle at beginning	EMI	Interest	Princ	Principle at End	
10th February 2020	10,00,000	12000	7,500	4,500	9,95,500	
10th March 2020	9,95,500	12000	7,466	4,534	9,90,966	
10th April 2020	9,90,966	12000	7,432	4,568	9,86,398	
10th May 2020	9,86,398	12000	7,398	4,602	9,81,796	
10th June 2020	9,81,796	12000	7,363	4,637	9,77,160	
Loan with moratorium where March EMI is adjusted against June EMI						
	Principle at beginning	EMI	Interest	POS	Principle at End	
10th February 2020	10,00,000	12000	7,500	4,500	9,95,500	
10th March 2020	9,95,500	0	7,466	-	10,02,966	Rs 12000 paid as EMI of March is kept as advance EM
10th April 2020	10,02,966	0	7,522	-	10,10,488	No Payment
10th May 2020	10,10,488	0	7,579	-	10,18,067	No Payment
10th June 2020	10,18,067	12300	7,636	4,664	10,13,403	No Payment* *Only Rs 300 to be paid because EMI increases
Loan with Moratorium where March EMI is not adjusted						
	Principle at beginning	EMI	Interest	Princ	Principle at End	
10th February 2020	10,00,000	12000	7,500	4,500	9,95,500	
10th March 2020	9,95,500	12000	7,466	4,534	9,90,966	Rs 12000 paid as EMI of March is adjusted in March
10th April 2020	9,90,966	0	7,432	-	9,98,398	No Payment
10th May 2020	9,98,398	0	7,488	-	10,05,886	No Payment
10th June 2020	10,05,886	12300	7,544	4,756	10,01,131	Revised EMI of 12300 to be paid in June 2020

So, those customers who have opted for moratorium – the second used case will apply. The EMI of March 2020 – Rs 12000 paid in March will be kept as an advance and will be adjusted against the EMI of June 2020 Customer will just have to pay Rs 300/- against the demand of Rs 12,300.

Q13 In case a customer opts to go for moratorium offer, then will it have any adverse impact on CIBIL score?

A13. 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.

Q14. What is the benefit / loss in taking the full moratorium of 3 months vs moratorium of 2 months?

A14. As per the basic tenets of the moratorium package, while the payment of EMI/Pre EMI is suspended during the moratorium period, the interest on the Loan outstanding keeps on accruing (charged but not collected). Since this interest is not paid the same gets added to the principal outstanding thus increasing the same. Longer is the moratorium higher is the accrual amount and accordingly the Principal outstanding after the end of moratorium. Hence, if it's completely unavoidable, moratorium may not be very beneficial (other than saving the stress on cash flow). If moratorium is being taken, it should be for shortest possible period.

The logic is explained with help of illustration below:

Regular Loan Without Moratorium					
	Principle at beginning	EMI	Interest	POS	Principle at End
10th February 2020	10,00,000	12000	7,500	4,500	9,95,500
10th March 2020	9,95,500	12000	7,466	4,534	9,90,966
10th April 2020	9,90,966	12000	7,432	4,568	9,86,398
10th May 2020	9,86,398	12000	7,398	4,602	9,81,796
10th June 2020	9,81,796	12000	7,363	4,637	9,77,160
Loan with Moratorium of 2 months					
	Principle at beginning	EMI	Interest	POS	Principle at End
10th February 2020	10,00,000	12000	7,500	4,500	9,95,500
10th March 2020	9,95,500	12000	7,466	4,534	9,90,966
10th April 2020	9,90,966	0	7,432	-	9,98,398
10th May 2020	9,98,398	0	7,488	-	10,05,886
10th June 2020	10,05,886	12050	7,544	4,506	10,01,381
Loan with moratorium of 3 months					
	Principle at beginning	EMI	Interest	POS	Principle at End
10th February 2020	10,00,000	12000	7,500	4,500	9,95,500
10th March 2020	9,95,500	0	7,466	-	10,02,966
10th April 2020	10,02,966	0	7,522	-	10,10,488
10th May 2020	10,10,488	0	7,579	-	10,18,067
10th June 2020	10,18,067	12300	7,636	4,664	10,13,403

Q15. Is it possible to apply for home loan as well opt for moratorium, at the same time?

A15. No, As per RBI directive the moratorium is applicable on Loan outstanding as of 01/03/2020. If your loan has been disbursed in March 2020, moratorium will not be applicable/available.

Q16. Is the moratorium on principal or interest or both?

A16. 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 ;

Q17. Will there be delayed payment charges for the missing instalments during the moratorium period?

A17. 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.

Q18. Which all loans shall be eligible for the relaxation?

A18. All term loans outstanding as on March 1, 2020 are eligible to claim the relaxation. This includes both the housing and non housing loans

Q19. Is the lending institution required to grant the moratorium to all categories of borrowers?

A19. 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.

Q20. Can the borrower pay in between the moratorium period?

A20. 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.

Q21. What will be the treatment in case of a customer with multiple loan accounts?

A21. A customer has to mention each loan account in his communication so that offer is considered against all linked loan account number(s).

Q22. When and how can the customer apply for moratorium?

A22. 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

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.