

FREQUENTLY ASKED QUESTIONS (FAQs)
COVID 19 Ex Gratia to borrowers for difference in interest
Date 26th October 2020

1. What is the *ex gratia* payment to the borrower under the scheme announced by GoI?

The bank/ lending institution will provide *ex gratia* payment to the borrower account of the difference between compound interest and simple interest on loan accounts with sanctioned limits and outstanding upto Rs. 2 crores (aggregate of all the borrowings / facilities from all the banks and financial Institutions) for the period from 1st March 2020 to 31st August 2020 (6 months / 184 days).

2. What are the main features of the *ex gratia* to borrowers scheme?

The main features / highlights of the scheme are as under:

- a. Loan accounts with sanctioned limits and outstanding not exceeding Rs.2 crores (aggregate of all facilities with all the lending institutions) as on 29.02.2020.
- b. Loan accounts should be standard in the books of the lending institutions as on 29.02.2020.
- c. The relief shall cover the following segments – MSME Loans, Education loans, Housing Loans, Consumer Durable Loans, Credit Card Dues, automobile loans, personal loans to professionals and Consumption loans.
- d. The period reckoned for refund shall be from 1st March 2020 to 31st August 2020, i.e. 6 months period / 184 days.

3. Do I have to apply for the relief?

No. The *ex gratia* relief will be credited to the account of all eligible borrowers without any requirement to apply.

4. Who will finalise the list of eligible accounts?

Individual banks/ lending institutions will finalise the list of eligible borrower for the relief based on the GoI guidelines.

5. How will the lending institution assess whether a borrower has aggregate loan facilities upto Rs.2.00 cr from the banking system?

Lending institutions are to assess this on the basis of information available with them as well as information accessible from credit bureaus.

6. Will my Non Fund Based Limits as on 29.02.2020 be included for arriving at the eligibility amount of upto Rs.2 crore?

No. Non fund based limits will not be included for arriving at the eligibility.

7. Whether Accounts categorised as SMA-0, SMA-1 and SMA-2 are eligible to avail the benefit of the package?

Yes, the accounts classified as SMA-0, SMA-1 and SMA-2 as on 29th Feb 2020 are eligible for the relief package.

8. Are NPA accounts eligible for the relief package?

No. The loan should not be a “Non Performing Asset (NPA) as on 29.02.2020.

9. Whether borrowers who have opted for deferment of Interest and Instalment under the RBI COVID 19 relief package earlier are eligible to avail the benefit under the above relief?

Yes. The package will be available for eligible borrowers irrespective of whether they have availed or partially availed or not availed the moratorium on repayment announced by RBI vide DOR. No. BP.BC.47/21.04.048/2019-20 dated 27.03.2020 and extended on 23.05.2020.

10. Whether “partly disbursed loans” are covered under the relief package?

Yes, provided that the sanctioned and outstanding amounts do not exceed Rs. 2 Cr. The outstanding as on 29.02.2020 shall be the reference amount for calculating the differential interest amount.

11. Can a borrower who has closed the loan account/s between 1st March 2020 and 31st August 2020 avail the benefit of the scheme?

Yes. Such borrowers are eligible for refund of differential interest from 1st March 2020 upto the date of closure of account (not later than 31st August 2020).

12. In which of my accounts will the differential amount be credited?

The differential amount will be credited to the respective loan account(s).

13. If I have already closed my loan account after March 1st 2020 , how will the differential amount be paid to me?

It will be credited to your savings/ current account and if you do not maintain any such account with the lending institution, you can advise the lending institution the details of the account in other banks where the amount can be credited /remitted to.

14. Which Rate of Interest (%) shall be considered for calculating the package, i.e. RoI (%) considered at the time of sanction or RoI (%) as on 29.02.2020?

a. In respect of Education loans, Housing loans, Automobile loans, Personal loans to professionals and Consumption loans, the rate of interest to be applied for calculating the differential interest component shall be the contracted rate as specified in loan agreements/ documentation applicable as on 29th February 2020.

b. In respect of consumer durable loans, the rate of interest to be applied for calculating the differential interest component shall be the contracted rate as specified in loan agreements/ documentation. In case where no interest is being charged on equated monthly instalments for a specified period, for the purpose of relief, interest may be applied at MCLR/ Base rate as the case may be.

c. MSME:

- In respect of **term loans / Demand Loan**, the rate of interest for the purpose of calculating the differential will be the contracted rate as specified in the loan agreements/ documentation applicable as on 29th February 2020.
- In respect of **Cash Credit/ Overdraft**, the rate of interest for the purpose of calculating the differential shall be the rate of interest prevailing as on 29.02.2020.

d. Credit Cards

- Eligibility: The Credit Card outstanding (i.e. settled amount) in the account as on 29.02.2020 will be the reference amount. Any debits / credits which are not reflected in the account will not be eligible/ will be excluded.
- RoI (%): The rate of interest shall be the Weighted Average Lending Rate (WALR) charged by the card issuers for transactions financed on EMI basis from its customers during the period from 1st March 2020 to 31st August 2020.

15. Will I be eligible for relief if my credit card balance is in “Credit” as on 29.02.2020?

No. Ex-gratia will not be paid on those credit cards where balance is in “credit” as on 29.02.2020.

16. What will be the treatment of penal interest/ penalties while arriving at the rate of interest?

The contracted rate / interest rate prevailing as on 29.02.2020 which is considered for calculating the interest differential will exclude any penalties or any penal rate of interest applied in the account.

17. What will be the treatment for the repayments / credits made in term loan/ demand loan during the period from 1st March 2020 to 31st August 2020?

The outstanding as on 29.02.2020 will be the reference amount for calculating the differential. Any repayment / credits subsequent from 01.03.2020 – 31.08.2020 shall be ignored for the purpose of calculation.

18. How will the interest be calculated for cash credit/ overdraft accounts?

Simple interest for the period will be calculated based on daily outstanding as at end of the day at rate of interest prevailing as on 29.02.2020. Compounding of interest shall be at monthly rests.

19. How can I flag my grievances related to the relief package?

The borrowers shall register his/her grievance through the link available in the lending institutions' official site or visit the home branch and submit his / her grievance.

20. A salaried employee / self-employed professional had availed of a personal loan from bank which has some amount outstanding as on 29th February 2020. Is the loan eligible for ex-gratia payment under the scheme?

Yes. Loans for consumption purposes (e.g., social ceremonies, etc.) are also eligible for coverage under the scheme, besides other specified categories of loans like consumer durables, automobiles, education, credit card dues, housing and personal loans to professionals. However, loans against fixed deposits [including Foreign Currency Non-Resident (Bank) {(FCNR(B))} account, bonds and other interest-bearing instruments], and shares etc., and loans given for investment in financial assets (shares, debentures etc.) are not eligible for coverage under the scheme.

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- 1. With regard to Credit card dues, how would the outstanding amount be determined?**

Credit card dues outstanding as on 29.2.2020 would be considered for giving relief to the borrowers and the benchmark rate applicable for such relief would be the contract rate (WALR), as on 29.2.2020, which is used by the credit card issuers for the purpose of EMI loans.

- 2. What is settled amount for credit card dues?**

Settled amount in case of credit card dues is the amount outstanding against the actual transactions.

For illustration: Authorisation amount locked at the time of hotel check-in (which is released at the time of check-out) would not be considered as part of the settled amount for calculation of credit card dues.

- 3. Whether crop loans and other agriculture loans are covered under the scheme?**

Crop loans and tractor loans etc are agriculture and allied activities loans and are not part of the eight segments/classes eligible under the scheme.

- 4. Whether two-wheeler loans are covered under the scheme?**

Automobile loans including two-wheeler loans are eligible under the scheme.

- 5. Whether eligible accounts foreclosed during the period of 1.3.2020 to 31.8.2020 are covered under the scheme?**

Yes. Eligible accounts foreclosed during the said period are covered under the scheme.