

# Loan moratorium over: You can still avail extension of two more years

- You can avail the facility of loan structuring
- Approach your bank with documents like your termination letter, pay cut letter or your bank statement, necessary to establish that your ability to service the loan has been badly impacted due to Covid 19

In view of the pandemic of Covid-19, the RBI had, vide a Circular dated 27 th March 2020, permitted the lenders to allow a moratorium for three months of EMI (Equated Monthly Instalments), falling due between 1 st March 2020 and 31 st May 2020, for various categories of loans. Since the pandemic accompanied with lockdown was bound to impact income of the salaried and self employed in most of the cases resulting into their failure to service EMIs. This would force the lenders to classify those loans with default as Non Performing Assets (NPA). So [moratorium](#) was done to provide relief to the lending institutions and the borrowers both. Subsequently, RBI extended it for further three month till 31 st August, 2020 on 22nd May. It certainly helped those who faced loss of jobs or pay cut in case of salaried as well as self employed who were deprived of their regular cash flow.

- Since the six months moratorium has come to an end now, what are your options now.

Many of the borrowers were happy initially about the announcement of the moratorium on their loans thinking that their EMIs were waived but what the moratorium did was that it just extended the due dates for payments of the EMI without affecting their credit score or history. Those borrowers who have availed the moratorium will have to pay the interest for the period of moratorium.

## What are the options now?

The facility of moratorium was available to each of the borrower whether one was impacted by the pandemic or not. So even those who were not impacted also availed it. This could not have gone on for an indefinite period but at the same time RBI also realised that significant number of individuals were facing cash crunch and therefore

permitted the lenders to devise scheme to restructure their loans in the first week of August.

So in case you have lost your job or have been subjected to pay cut and in case you are self employed are facing financial problems, you can avail the facility of loan structuring which will be made available by your lender once it is formulated.

### **Which types of loans are eligible for restructuring facility?**

The RBI has made this facility of restructuring available to all the personal loans. Initially people were under the impression that only the unsecured personal loans were eligible for restructuring. But the things became clear when the RBI circular of 6th August 2020 referred to its circular dated 4th January 2018 , which the term personal loan was defined.

The definition of “personal loan” included all types of loans whether secured or unsecured loans like consumer loans, education loans , home loans, loan against security of financial assets given to an Individual.

Under the scheme an Individual can get his loan restructured to avail a further moratorium of two years.

### **Are you eligible to avail the loan restructuring facility announced by the RBI?**

The RBI has stipulated certain eligibility criteria for availing the restructuring facility. First and foremost condition is that the repaying capacity of the borrowed should have been adversely affected by Covid 19 pandemic. This may apply to salaried losing a job or subjected to a salary cut as well to a self employed who is not able to service the loan due Covid-19.

The second condition for availing this facility is that the loan should not be overdue by more than 30 days as on 1 st March 2020. Means your loan EMI should not be overdue by more than 30 days on 1 st March, 2020. So, in case, your loan had already become NPA on 1 st March, you will not be eligible.

For availing this facility it is not necessary that your EMI should be overdue. So even if you have been paying your EMIs regularly or even if you did not avail moratorium facility, you still can avail it provided you are able to establish that you repaying

capacity has been adversely affected due to Covid 19. While computing the period for which the loan EMI has been outstanding the period for which the moratorium was availed by you will obviously be excluded.

**Should I go for it and How to go about it?**

In case you are facing problem in paying your loan EMIs caused due to Covid-19 and feel that your problems are likely to persist for some more time, you should go for it. Though the fact of you having availed the restructuring will get reported to credit bureaus like CIBIL but it will not affect your credit score as badly as it will if your loan becomes an NPA. For availing the scheme, you have to approach your bank with documents necessary to establish that your ability to service the loan has been badly impacted due to Covid 19. It can be done with your termination letter, pay cut letter or your bank statement which will conclusively establish the connection.