

POLICY ON RESOLUTION FRAMEWORK 2.0 FOR COVID-19 RELATED STRESS ADVANCES TO INDIVIDUALS AND SMALL BUSINESSES

The Policy on Resolution Framework for Covid-19 related stress based on RBI Guidelines vide its Circular No. RBI/2021-22/31DOR.STR.REC.11/21.04.048/2021-22 dated 05.05.2021

The resurgence of Covid-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process. With the objective of alleviating the potential stress to individual borrowers and small businesses, RBI, has announced certain measures. Accordingly, the Policy on Resolution Framework 2.00 for Covid-19 related stress of advances to individuals and small businesses is formulated. The borrowers shall ensure that the resolution under this framework is extended only to borrowers having stress on account of Covid-19. Further, accounts provided relief under this framework shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.

ELIGIBLE LOANS:

The following Loans given to individuals:

- i) Housing Loans and other related loans
- ii) All Personal Loan
- iii). Loans for Business Purpose to individuals (with aggregate exposure by lending institutions of not more than Rs.50 Lakhs as on 31.03.2021).
- iv). Loans to Small Business including those engaged in retail and wholesale trade (non-MSME) (with aggregate exposure by lending institutions of not more than Rs50 Lakhs as on 31.03.2021).
- v). Accounts under above categories should be classified as Standard as on 31.03.2021.
- vi). Borrower accounts who have availed of any resolution in terms of the Resolution Framework – 1.0* subject to undernoted exemption:

A. In cases of loans of borrowers where resolution plans had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plans had permitted no moratoria or moratoria of less than two years and / or extension of residual tenor by a period of less than two years, are permitted under this Framework.

ELIGIBLE BORROWERS/ DOCUMENTARY EVIDENCE REQUIRED TO ASCERTAIN BORROWER'S ELIGIBILITY:

A. For Personal (non-business) Loans:

- a) The borrowers to ensure that this facility is extended only in those cases where stress is on account of COVID-19 related issues like:

- i. Reduction in salary/income
- ii. Reduction/suspension in salary during lockdown period
- iii. Job Loss/closure of business
- iv. Closure during lockdown/reduced activity of units/shops/business establishments in case of self-employed/professionals/businessmen
- v. Other instances where income streams/cash flow of borrowers is adversely affected on account of lockdown and other COVID-19 related issues.
- vi. a) No reduction in salary/income but the borrower/family member has been affected by Covid-19 and has incurred substantial expenditure on treatment of Covid-19.
- b) The facility will be offered to the borrowers on request.
- c) Application for Resolution Framework 1.00 (having undertaking that they have been affected by COVID-19)
- d) Documentary proof in the form of salary slips for pre COVID-19 period (i.e.Feb 2020 and current salary slip to be obtained)
- e) Letter of termination/discharge from job (in case of job loss)
- f) Simple Declaration needs to be furnished by self-employed professionals/ businessmen declaring that their business is affected by COVID-19 along with Simple Declaration that their business/operations are under stress on account of COVID-19 shall be submitted along with supporting proofs of reduction or impact on income and should satisfy the generation of future income for servicing the debt

For Business Loans:

The facility will be offered to the borrowers on request application along with Simple Declaration that their operations are under stress on account of COVID-19 shall be submitted along with supporting proofs of reduction or impact on income and should satisfy the generation of future income for servicing the debt

GENERAL:

Customers shall also have to apply for relief under the package by visiting the bank.

Decision on the Application shall be communicated to the Borrower within 30 days of receipt of Application.

INVOCATION:

The date on which Bank conveys to the Borrower, based on the application made, in-principle, is agreeable to implement the resolution package, will be the date of invocation however not later than 30.09.2021

TIMELINE FOR IMPLEMENTATION OF RESOLUTION PLAN

The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process under this window.

SCOPE OF RESOLUTION PLAN

A. For Personal (Non-Business) Loans:

a) Moratorium of up to 24 (inclusive moratorium period availed under Resolution Framework 1.0) months may be extended to borrowers whose income has been impacted by covid-19

b) Rescheduling of EMIs and extension of tenure by a period equivalent to a maximum of 2 years (inclusive of moratorium period availed under Resolution Framework 1.0)

c) The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.

d) The repayment shall start immediately after the moratorium period.

Business Loans:

Borrowers having only Term Loans:

a) Borrowers must look into requirement of moratorium and rescheduling of Term Loans.

b) However, the option to reschedule repayment of Principal/ Interest /both may be decided on a case-to-case basis.

c) Moratorium of up to 2 years (inclusive of moratorium period availed under Resolution Framework 1.0) can be considered for repayment of EMIs.

d) Increasing the tenor of the loan up to a maximum of 2 years (inclusive of moratorium period availed under Resolution Framework 1.0) is permitted.

e) Interest moratorium may be given up to a maximum of 2 years (inclusive of moratorium period availed under Resolution Framework 1.0). The interest accrued during the moratorium period to be capitalized. To make Bullet repayment at the end of moratorium.

f) The moratorium period shall come into force immediately upon implementation of the Resolution Plan.

g) In all the steps enumerated above, the repayment period can be extended only upto a maximum of 2 years (inclusive of moratorium period availed under Resolution Framework 1.0).

h) Fresh repayment schedule to be generated in case of all Term Loans.

COMPROMISE SETTLEMENTS ARE NOT PERMITTED AS A RESOLUTION PLAN UNDER THIS FRAMEWORK

IMPLEMENTATION CONDITIONS FOR RESOLUTION PLAN:

The resolution plan shall be deemed to be implemented only if all of the following conditions are met:

a) All related documentation, including execution of necessary agreements between the Bank and the borrower and creation of charge on collaterals provided, if any, are completed in consonance with the resolution plan being implemented .

b) Post-implementation of the package, the accounts of the borrower should continue to be Standard.

COMPROMISE SETTLEMENTS ARE NOT PERMITTED AS A RESOLUTION PLAN UNDER THIS FRAMEWORK

SANCTIONING AUTHORITY:

BOARD IS THE SANCTIONING AUTHORITY

LAST DATE FOR SUBMISSION OF APPLICATION UNDER THE RESOLUTION PLAN IS 15/09/2021