

Policy on EMI Moratorium

The Reserve Bank of India (“RBI”) vide its Notification No. RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated 27th March, 2020, announced certain regulatory measures to mitigate the burden of debt servicing brought about by disruptions on account of the COVID-19 pandemic and to ensure the continuity of viable businesses.

A brief synopsis of the measures available to the Company is listed below:

Rescheduling of Payments – Term Loans and Working Capital Facilities

In respect of all term loans (including agricultural term loans, retail and crop loans), 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) (“lending institutions”) are permitted to grant a moratorium of three months on payment of all instalments viz. (i) Principal and/or interest components; (ii) bullet repayments; and (iii) Equated monthly Installments, falling due between March 1, 2020 and May 31, 2020. The repayment schedule for such loans as also the residual tenor, will be shifted across the board by three months after the moratorium period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

Since the moratorium/deferment/recalculation of the ‘drawing power’ is being provided specifically to enable the borrowers to tide over economic fallout from COVID-19, the same will not be treated as concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower under the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019 (“Prudential Framework”). Consequently, such a measure, by itself, shall not result in asset classification downgrade.

The asset classification of term loans which are granted relief shall be determined on the basis of revised due dates and the revised repayment schedule.

The rescheduling of payments, including interest, 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 impact the credit history of the beneficiaries.

Other Conditions

The Company shall frame Board approved policy(ies) for providing the above-mentioned reliefs to all eligible borrowers, *inter alia*, including the objective criteria for considering reliefs and disclosed in public domain.

The Company shall also develop MIS on the relief provided to its borrowers which shall inter-alia include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted in respect of borrowers for whom the exposure is Rs. 5 crores and above.

The instructions in this Notification come into force with immediate effect. The Board of Directors and the Key Managerial Personnel and Senior Executives of the Company shall ensure that the above instructions are properly communicated down the line to all the concerned employees of the Company and clear instructions are being issued regarding their implementation.

The Company based on the above measures provided by RBI would like to propose the following relief to its loan customers:

Eligibility

The relief will be available to all customers who have their loan instalment due date falling between 1st March, 2020 and 31st May, 2020. The customers who have serviced their instalments/dues during March 2020 will be eligible for the benefit from the instalment falling due between 1st April, 2020 and 31st May, 2020.

The Company shall at the request of the borrower continue to accept collections as per the original repayment schedule.

Moratorium Period

The moratorium period offered will be for 3 months and all the future repayment schedule and the tenor of the loan will be shifted by 3 months.

Interest during the Moratorium Period

The Company will charge interest during the moratorium period at the rate the loan was originated and recover the same by structuring in the future instalments due.

Documentation

A written consent accepting the new terms of repayment shall be obtained from all the customers.

The above changes made in the Loan agreement is provided specifically to enable the borrowers to tide over the economic fallout from COVID-19. Hence the same will not be treated as change in terms and conditions of the loan agreement due to financial difficulty of the borrower and accordingly, will not result in asset classification downgrade.

Fresh ACH mandate/ PDCs based on the revision in instalment structure shall be obtained from the customers.

Miscellaneous

The above Policy will be an integral part of our existing business policies. The relevant FAQs regarding this Policy are attached as "Annexure-I".

Dissemination of Policy

This Policy shall be disseminated to all functional and operational heads and other concerned persons of the Company and shall be hosted on the intra-net and website of the Company.

Frequently Asked Questions (FAQs) on EMI Moratorium

RBI issued a policy statement on March 27, 2020 announcing certain regulatory measures to mitigate the debt-servicing burden on borrowers in view of the disruptions brought out by the current situation. As a follow up, RBI has also issued a circular DOR.No.BP.BC.47/21.04.048/2019-20, dated March 27, 2020, detailing the guidelines.

The guideline in summary gives an option to customer to avail EMI moratorium for period between 1st March 2020 and 31st May 2020. This document gives clarity regarding the moratorium benefit by answering some Frequently Asked Questions (FAQs).

1. What is the EMI moratorium provided for loans under COVID 19 - regulatory package?

In a moratorium, your EMIs will be deferred. This means that during the period between 1st March and 31st May 2020, no payment has to be made by the customer to MMFSL. Interest on the EMIs will keep accruing for the customer during this period and will be payable after the moratorium period.

2. Who is eligible for moratorium?

All eligible customers will be contacted by Mahindra Finance by way of SMS. As per the policy, almost all customers who have taken a loan on or before 31st March 2020 from MMFSL and have due dates falling between 1st March 2020 and 31st May 2020 are eligible for moratorium. In case of clarification, please contact Mahindra Finance representative

3. Is moratorium a waiver of EMIs?

No, a moratorium is not waiver of EMI. Customers will need to pay the entire principal with interest back to MMFSL. Customers just have the option of not paying during the moratorium period.

4. What is the benefit of availing the moratorium?

During this difficult period, cash flows of some customers have been affected and they might not have enough capital available to pay their EMIs. Such customers should avail this moratorium. If a customer has sufficient cash flow to meet his needs and service the EMIs also, should pay his EMI regularly to avoid the accruing interest charges.

5. Would interest be charged in the moratorium period?

Yes, interest will be charged at the contractual interest rate on principal outstanding.

6. Is the moratorium mandatory for all customers?

No, customers have the option of not availing the moratorium. MMFSL will contact all customers by way of SMS and all those who do not want to avail moratorium have to respond to the SMS. Those who do not respond are automatically opted in for the moratorium. In case you have not received the SMS, please reach out to MMFSL representative.

7. If a customer avails moratorium, then will it impact credit score?

No, it will not impact the credit score of the customer. As per the released regulation, the rescheduling of payments will not qualify as a default in customer's credit bureau report.

8. If a customer has overdue on EMI before 1st March 2020, will that attract penal charges?

Yes. The moratorium is provided for EMIs due in the moratorium period. Any overdue for EMIs which were due before moratorium period will attract penal charges and no relaxation is given on that. However, for the EMIs due in the moratorium period, no penal charges will be charged and repayment will be modified as per the communication sent out to customer.

9. If a customer paid his EMI in March 2020, is he still eligible for moratorium?

Yes. The customer can avail moratorium facility for April and May 2020.

10. Customer opted to pay the EMI but still his PDC/ ACH was not presented for deduction on due date. Why did that happen and what to do?

During the lockdown, MMFSL offices would be closed and hence ACH/ PDC might not have been presented. It will be done as soon as offices open. No penal charges will be levied.

Once lockdown is lifted but still PDC/ ACH is not presented, please contact MMFSL representative immediately.

11. Customer's repayment mode is Cash but nobody collected it from customer on due date. Why did this happen and what to do?

During lockdown, MMFSL offices are closed. In such a case, after lockdown is lifted, customer can visit MMFSL office or can ask the representative to come for collection. No penal charges will be levied if payment is done within seven days (7 days) of lockdown being lifted.

12. Can a customer avail moratorium for multiple loans?

Yes, the customer can avail moratorium for all eligible loans.

13. How exactly will customer's repayment schedule change?

Customer's tenure of loan will get extended by the no. of months moratorium is availed. For Example: If customer takes 3 months moratorium now, then the tenure will get extended by three months and customer will pay his regular EMI amount in those months. Plus, there will be interest which gets accrued due to the moratorium. That will also need to be paid by the customer. The exact details will be sent out to the customer shortly.

14. If the customer wishes to make the payment in moratorium period, how can he do it?

Customers can make use of online payment facility, deposit cash after lockdown is lifted or if the repayment mode is ACH/ PDC, the same will be banked after lockdown is lifted.

15. As per RBI guideline, the moratorium period includes the month of March 2020. If a customer has already paid EMI in the month of March 2020 and he wants EMI payment of March 2020 to be refunded, can that be done?

Customers are encouraged to pay their loans on time. Moratorium will be offered for unpaid EMIs only.

16. The customer wants moratorium period for only one month while he has the option of availing it for more than one months (max. up to three months). Is that possible?

Customers can opt for either availing moratorium facility or not availing it. They cannot opt for availing it only partially. However, if customers wish, they can make payments during the moratorium period as well.

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