
COVID-19 Regulatory Package-1 Amendment in Lending Policy

Document Control Sheet

Document Name	Amendment in Lending Policy Insertion in Chapter-II(C) on account of COVID-19 regulatory package of RBI (Circulars Dtd. 27-03-2020, 17-04-2020, 18-05-2020 & 23-05-2020) including clarifications.
Scope	The Urban Co-operative Bank Ltd., Rourkela
Approving authority	ADM,Rourkela -cum-Administrator of the UCB Ltd., Rourkela

Brief Background

Reserve Bank of India has announced relief measures to mitigate the debt-servicing burden of borrowers on account of disruptions due to outbreak of pandemic COVID-19, vide Circular No. DOR. No. BP. BC. 47 / 21. 04. 048/ 2019-20 dated 27.03.2020. It has further issued Circular No. DOR.No.BP.BC.71/21.04.048/2019-20 dated 23.05.2020 announcing the relief measures for extended period up to August 31, 2020. Extant provisions are as below.

Relief measures as per RBI in the circular

RBI has permitted banks to grant the following relief measures:

- a) Moratorium up to a period of three months on payment of all term loan installments falling due between March 1, 2020, and May 31, 2020. Installments include all principal and interest payments, bullet repayments, EMIs falling between these dates. The repayment schedule for such loans, as also the residual tenor, will be commensurately extended by three months after the moratorium period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

Further extension of moratorium on Term Loans:

RBI has permitted to extend the moratorium on term loan installments by another three months, i.e., from June 1, 2020 to August 31, 2020 in addition to the three months as above.

- b) Moratorium up to a period of three months on payment of interest in respect of all working capital facilities during the period from March 1, 2020, up to May 31, 2020, in respect of facilities sanctioned in the form of cash credit / over-draft (CC/OD).

Further extension of moratorium/deferment of interest on CC/OD Accounts:

Vide Circular dated 23.05.2020, RBI has permitted to allow further deferment of interest on CC/OD accounts for another three months, from June1, 2020 to August 31, 2020, in addition to the three months as above.

- c) Recalculate the 'drawing power' by reducing the margins and/or by reassessing the working capital cycle for all the existing CC/OD borrowers. This relief shall be available in respect of all such changes effected

up to May 31, 2020 and shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19.

Vide Circular dated 23.05.2020, RBI has permitted to recalculate the 'drawing power' by reducing the margins till the extended period, i.e., August 31, 2020. Bank can restore the margins to the original levels by March 31, 2021. Bank can also re-assess the working capital cycle of a borrowing entity up to an extended period till March 31, 2021.

- d) Since the moratorium/deferment/recalculation of the 'drawing power'/ reassessing the working capital cycle are 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. Hence, these reliefs will not result in downgrading of asset classification of the borrower.
- e) In order to provide ease on repayment of the accumulated interest for the deferment period on working capital facilities, Bank, at its discretion, may convert the accumulated interest over the deferment period (i.e. from March 1, 2020 to August 31, 2020) into a Funded Interest Term Loan ("FITL"). The FITL shall be repayable within the tenor from September 1, 2020 to March 31, 2021.
- f) The proposed relief will not qualify as a default for reporting to Credit Information Companies and also under supervisory reporting

Bank's procedural guideline for providing the said relief to borrowers

The following are the Bank's procedural guidelines for providing the relief measures to borrowers.

- This guideline applies to all credit facilities granted, whose periodic repayment due date of principal and / or interest is falling between March 1, 2020 and May 31, 2020 and during the extended period June 1, 2020 to August 31, 2020
- The Bank would provide separate terms and conditions for different types of loan. Other credit conditions in the sanction letters already issued would remain unchanged.
- The Bank will offer to all borrowers, who wish to avail of the facility of moratorium on term loan installments falling due between March 1, 2020 and May 31, 2020 and during the extended period June 1, 2020 to August 31, 2020), as well as deferment of interest for the months of March to May 2020 and for the extended period from June 2020 to August 2020 on working capital facilities.
- Interest shall be charged at the original contracted rate during the moratorium period on the outstanding amount of loan to all those who avail the said relief measures. This interest has to be paid by the customers on completion of the moratorium period.
- Customers who are desirous to avail moratorium can apply to the Branch in any recorded mode of communication.
- It is to be noted that granting of moratorium is at the sole discretion of the bank. Merely applying for moratorium should not be construed as granting of the same by the bank.

1. Moratorium for Term loans

- For all types term loans, where in the concerned borrower applies for the moratorium benefit, the repayment schedule will extend up to six months and the tenor of the term loan will be extended accordingly with revised EMI. Concerned borrower needs to be notified by the Branches about the same.
- In case a borrower has funded the operative account / loan account with the installments amount, the system shall appropriate the funds towards servicing of EMI / repayment amount.
- In case an account is not funded with the required repayment amount, it will be construed that the borrower wishes to avail of the moratorium.
- The Bank would also be presenting the post-dated cheques, NACH mandates, etc. provided by the customers, for collection as per the respective due dates. Customers who are desirous of availing the relief under the RBI circular, should contact the Branch Manager in which his/her account operates, quoting the Loan account number and opt for the moratorium. Customers, whose instrument so sent for collection is not cleared, will be deemed to have availed of the moratorium and necessary relief would be provided as per the RBI guidelines.
- In case of loans to non-retail and institutional borrowers the borrower has to submit the request to the Branch Manager opting for the relief measures, preferably within 10 days of the due date, based on which bank will consider the moratorium. For such cases, the bank may seek additional information to ascertain the need of seeking moratorium.
- If borrower has already paid the installments or serviced the interest for March 2020, such borrower can avail moratorium for installments falling due in April and May 2020 or for the extended period i.e. falling due up to August 31, 2020 .
- In case a customer is not desirous of availing the moratorium, the Bank will continue to act on the repayment instructions.

2. Relief for working capital facilities

a) Moratorium on interest

- i) In the case of Overdraft / Cash Credit/Line of Credit, the Bank will offer moratorium of interest applied between March1, 2020 and May31, 2020 or for the extended period between June1, 2020 to August 31, 2020.
- The accumulated interest for this period shall be due at the end of the moratorium period and should be serviced by the borrower immediately after the moratorium period.

- Further, in order to provide ease on repayment of the accumulated interest for the deferment period on working capital facilities, Bank, at its discretion, may convert the accumulated interest over the deferment period (i.e. from March 1, 2020 to August 31, 2020) into a Funded Interest Term Loan ("FITL"). The FITL shall be repayable within the tenor from September 1, 2020 to March 31, 2021.
- In case a customer is not desirous of availing the moratorium, the Bank will continue to act on the repayment instructions.
- In case of loans to non-retail and institutional borrowers the borrower has to submit request to the concerned Bank Branch, opting for the relief measures. For such cases, the Bank may seek additional information to ascertain the need of seeking moratorium.

b) Reduction of margin

- For customers facing stress on account of the economic fallout of the pandemic, upon request of the customer, the Bank may consider reduction of margin on stocks/receivables/other eligible securities, etc., for the purpose of computation of Drawing Power (DP) for OD/CC limits and allow higher DP than earlier, based on impact on borrower based on due credit assessment.

c) Such concession in reduction of margin would be valid in respect of all changes effected up to 31st May 2020 or for the extended period up to August 31, 2020. Bank can restore the margins to the original levels by March 31, 2021. Reassessment of working capital cycle / limits

- For customers facing stress on account of the economic fallout of the pandemic, upon request of the customer, Bank may re-assess the working capital cycle factoring the COVID19 impact on customer's business.
- Bank may also reassess the working capital cycle of a borrowing entity up to an extended period till March 31, 2021.
- Once the original limit is reinstated, any further concession / enhancement would have to be dealt with as per the usual guidelines/norms stipulated by the Bank/RBI.

The bank will grant such subject to meeting the credit assessment of the Bank.

3. Common conditions for availing the relief measure

- The Bank may take into account the difficulties and stress on the borrowers on account of the pandemic.
- The borrower should not have been classified as willful defaulter/ Fraud classified by this Bank or other Banks.
- COVID- 19 per-se is not a Force Majeure event and this matter may go in litigation in any court of Law, including departmental court, to recover the dues and cost .

4. Legal & documentation matters

- Facility specific conditions may be laid down by the Bank for the above relief.
- In respect of concessions/reliefs granted under this scheme, requisite documentation shall be as per extant guidelines of the Bank, including through electronic form.
- Repayments as mentioned above includes payment through cheques, NACH, ECS mandates and direct debit from the account of this Bank (i.e. Internal transfer).

5. Validity of the relief measure

This relief measure shall be valid up to August 31, 2020, or further period as may be extended by RBI.

6. Prudential norms

- The moratorium/deferment granted to borrowers will not qualify as default on the part of borrowers for the purposes of supervisory reporting and reporting to credit information companies (CICs).
- The relief actions shall not result in any downgrade of asset classification.

If there is an existing default / delay like interest/principal dues up to February 29, 2020, but account is standard, it is eligible for moratorium and/or deferment. Where moratorium/deferment has been considered in such account, there would be an asset classification standstill from March 1, 2020 to August 31, 2020 and it will stop aging. Normal ageing norms as well as the 90-Day NPA norm shall be applicable from September 1, 2020.

- Similarly, for working capital CC/OD accounts where deferment of interest has been granted, such deferment period, wherever granted in respect of all facilities classified as standard, including SMA, as on February 29, 2020, shall be excluded for the determination of out of order status.
- (i) Relief measures provided by way of recalculation of drawing power and/ or reassessment of working capital cycle shall not be treated as concessions granted due to financial difficulty of the borrower, under Paragraph 2 of the Annex to the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019, and consequently, will not result in asset classification downgrade.

While these procedural guidelines outline the broad internal guidance that the Bank will follow to take decisions regarding moratorium, the Bank shall have the discretion to take suitable decisions regarding this relief measure depending on a case-to-case basis. Bank also reserves the right to amend this guideline within the framework of RBI regulations at any time as it deems fit.

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