



Frequently Asked Questions (FAQs) for Customers

moratorium on micro- credit loans due to Covid-19

(April 2022)



Due to Covid-19, incomes of many individuals, households and businesses are adversely affected, making it difficult to repay the loans on time. Recognizing this, Reserve Bank of India (RBI) on 27th March 20¹ has permitted all financial institutions to allow a three-month moratorium up to 31st May 20 for all term loans such as micro-credit loan taken by the customer.

This resource document in the form of FAQs, explains the moratorium in the context of our micro-credit loans and answers critical questions which customers may have. This is targeted to answer customers' questions and doubts.

Purpose of the FAQs is that customers get clear and consistent message from Lenders. This is particularly important to address misinformation coming from the media, community groups, social media which may be influencing and confusing the customers at this point.

Lender may add additional questions and details specific to their own context like their process to get moratorium, giving phone number etc. Points in red font are core-essential-universal points and should be emphasised.

You can also use this resource document to familiarize for employees (loan officers, branch managers, customer care executives speaking to customers) about moratorium.

For any suggestion and feedback on this resource document, please connect with us at sro@mfinindia.org.



FAQs

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1. Why is moratorium given

- Due to COVID-19, incomes of many individuals, households and businesses are adversely affected making it difficult to repay the loans on time. Recognizing this, Reserve Bank of India (RBI) on 27th March 2020 has permitted Lenders to allow a three-month moratorium for all term loans such as micro-credit loan taken by the customer.
- If your income is affected due to Covid-19 and you are finding it difficult to repay your installments, you can avail moratorium.

2. What is moratorium

- Moratorium is a facility which allows a customer like you to defer your loan repayment one-time from 1st March 20 to 31st May 20. If your income is being affected due to Covid-19 and you are finding it difficult to repay installments, you can choose to defer installments which are due between 1st March 20 to 31st May 20.
- During moratorium period, the interest will continue to add on the outstanding amount and therefore your total payout on loan will be higher.
- Remember this is not a waiver, but only additional time given to repay the loan because your income may be affected because of COVID-19 lock down. After three months/given period is over, you will have to pay the loan as well as the additional interest which was added in this time.
- As an example, suppose you have 6 months installments left to pay on your current loan (April 20 to September 20) and you choose to take moratorium because your income has got affected. You do not have to pay installment in April 20 and May 20 (2 months). After two months that is from June 20, you will start repayment for next 6 months. Which means that now you will repay the instalments from June 20 to Nov 20 with additional interest for April 20 – May 20 on the principal outstanding as on April 20.

3. Am I eligible to avail moratorium

- If you have an existing loan, repayments of which are falling due between 1st March 20 to 31st May 20, you may reach out to your Lender for the moratorium.

4. How do I decide if I should take the moratorium

- **If your income is not affected:** if your income has not been affected due to Covid-19 and if you can continue to repay while taking care of your essential needs, you should not avail moratorium and continue to pay the installment. The loan/installments with additional interest have to be paid after moratorium, so it is best to avoid the burden of additional interest.
- **If your income is considerably affected:** However, if your income has gone down substantially and you do not have enough buffer money to repay your loan, you should avail moratorium.



- You should assess your income, savings and essential expenses (food, medicine, rent and others which cannot be avoided) for the next 2-3 months. Also assess your current debt obligations. Discuss with key family members.
- If you have surplus after taking care of all essential expense and some emergency buffer until 31st May 20, you should continue repaying the loan as there is no need to take the moratorium. If not, then you can approach your Lender to avail the moratorium.

5. What are the benefits of the moratorium

- It is expected that by 31st May 20, the situation would normalize, and incomes will start to get normal. Therefore, moratorium will help you to defer loan repayment until 31st May 20 to tide-over the immediate income losses. By availing moratorium, you can keep the money for essential expenses like food, medicines etc.

6. Will I pay more if I take moratorium

- If you take the moratorium, you will have to pay an additional interest on the outstanding loan amount for the moratorium period. The accrued interest for the moratorium period shall be calculated at the same interest rate agreed in the original agreement of the loan.
- Remember to confirm with your Lender that additional interest will be charged for the moratorium period. If you don't pay additional interest upfront, there would not be more interest on the '*moratorium period interest*'.
- Example: You had taken a loan of Rs 50k and your installment was due on 27th Mar 20. At this point your principal balance was Rs 30k. You have taken moratorium until 31st May 20. So now you will have to pay additional interest on Rs 30k for 27th March - 26th June 20.

7. How will my repayment schedule change after moratorium

- Due to the moratorium period, residual tenure of your loan would be extended. Suppose you have 6 months installment from April 20 to September 20 to be paid, you have taken 2 months moratorium for April 20 and May 20; the loan will now close in November 20.

8. How will I pay additional interest for the moratorium period

- Ask your Lender about this. There can be several options on this:
 - a. Upfront in June 20 with your first instalment after the moratorium
 - b. With/after your last instalment when the loan is getting closed
 - c. In small amounts with each instalment during the remaining tenure of your loan

9. Will moratorium impact my credit bureau record and future access to credit

- Availing moratorium will not have any negative impact on your credit score. However, if you don't pay after the moratorium period, your credit bureau record



will be impacted. Hence you must repay as per the revised schedule after the moratorium period.

- Taking moratorium will not affect your access to credit in future.

10. What is the period of moratorium which I can avail

- You can choose the moratorium up to 31st May 20 as per the RBI directions. You can choose lesser moratorium period as well, depending upon your ability to repay.
- Normally, you can avail moratorium for instalments falling due after 1st March 20, against which the payment has not been made. However, if you had paid in March 20 and want to further avail moratorium benefit on March 20 repayment, it can be done.

11. How to opt or not opt moratorium

- Whether you decide to opt for the moratorium or not opt for it, you must inform your Lender.
- **If you opt for the moratorium:** Your Lender will inform you of revised new loan repayment schedule, tenure, installment amount, amount of accrued interest etc. You will resume repayment after the moratorium period. However, it may be noted that all the terms and conditions shall remain same except the revised loan tenure and installment/s adjusted for accrued interest for moratorium.
- **If you do not opt for the moratorium:** In case you wish to continue repaying the loan as per the existing schedule, you must contact your Lender and inform them. During lockdown, as your loan officer would not be able to meet in person, the payment would have to be organized through bank transfer, debit card or digital channel.
- If you are not able to pay through bank or any digital means, it is advised that the money should be kept aside. The loan officer will collect the payment after lockdown is over.

12. How to pay during lockdown period

- Please take note that since no group meetings are allowed during lockdown, collection of repayment will resume only after lockdown is over.
- During this time, if you want to repay your installments, the same can be done through digital means. Confirm about the options for digital payment available with the Lender.
- Double check the account information where the loan installments need to be deposited before making any payment. After the payment, call your Lender to confirm if they have received the payment. Keep the receipt of your payment to bank safely and carefully. Based on this, the Lender would be able to give you receipt of payment once lockdown is over.
- Do not make any cash payment to loan officer during the lockdown.



13. I don't want to take moratorium, but other members of group want moratorium

- The moratorium is not compulsory. If you wish to repay, irrespective of your group members choice, you can choose to continue repaying your instalments.
- Please confirm with your Lender regarding mode of repayment and mode of receipt/ payment acknowledgement.

14. I have loans from two Lenders, can I take moratorium for one of them

- Yes, you can choose which loan you wish to opt moratorium for and which loan you wish to continue repaying. The Lenders need to be informed accordingly.

15. I had not paid few installments before March 20, can I still avail moratorium

- You will have to ask your Lender for moratorium. However, please note that interest will be payable on previous outstanding also and therefore total payable interest on loan would be more.

16. Would the credit-linked life insurance get extended to revised tenure

- Since the insurance policies are fixed time contracts, it is unlikely to get extension beyond the original loan schedule. Please check with Lender if coverage can be extended and how premium amount must be paid.

17. Can I avail a fresh loan during the moratorium period

- Yes, you can apply for new during the moratorium period. However, due to lockdown and Covid-19, there are many disruptions. Check with your Lender regarding this.

18. Can I take loan from > 3 Lenders or in excess of Rs 1.25 Lakh during this time

- No, this is not permitted in your own interest. If you already have loans from 3 Lenders with total amount of Rs 1.25 Lakh, you cannot take additional loan.

19. I am hearing that loans would be waived

- There may be various information floating about the moratorium in news, social media, tv, new paper and community etc that loan would be waived. Loan is given to you by your Lender and only your Lender can take any decision on loan. Do not trust rumors etc and contact your Lender.

20. What to do if field staff is insisting for repayment though I want moratorium

- If you want to avail moratorium but your loan officer or field staff is insisting for payment, contact your Lender immediately. Lender's phone number is available on your loan card and loan agreement.
- You can also call on MFIN Toll-free number 1801021080 to report any such incidences.



21. I have questions about moratorium

- For any question, clarification and support on moratorium related questions, don't hesitate to contact your Lender. Lender's phone number are is available on your loan card and loan agreement.

22. How do I manage household finances during times of income-loss

- Be very careful with your expenses.
- Do not waste money on things which are not essential.
- Check about the support given by the government – food, cylinder, cash-transfer etc
- Make use of what you have (food, saving, etc). Don't burden yourself with unnecessary credit from family/ friends to maintain same level of expenses.
- However, don't hesitate to seek help from community, family if you don't have resources for essentials like food, fuel, medicine etc.