

Dear Valued Client,

Please find **Frequently Asked Questions (FAQs)** below detailing the Implementing Rules and Regulations (IRR) of Section 4 (aa) of the **Bayanihan to Heal as One Act** (Republic Act No. 11469).

These **FAQs** will help you further understand and appreciate how the **Bayanihan to Heal as One Act** affects your loan or credit card accounts.

BANGKO SENTRAL NG PILIPINAS
MEMORANDUM NO. M-2020-018
6 April 2020

*Frequently Asked Questions
on the Implementing Rules and Regulations of
Section 4(aa) of the Bayanihan to Heal as One Act (Republic Act No. 11469)*

1. Which types of financial institutions (FIs) are covered by the IRR of Section 4(aa) of the Bayanihan to Heal as One Act?

For purposes of BSP implementation of the IRR, it shall cover all BSP-Supervised Financial Institutions (BSFIs) with lending operations. These include banks, quasi-banks, non-stock savings and loan associations, credit card issuers, trust departments/corporations, pawnshops, and other credit granting entities under the supervision of BSP.

2. Does the IRR apply to loans extended by banks abroad to Filipino residents?

No, the IRR applies only to loans extended by FIs established in the Philippines.

3. Will the IRR cover loans of borrowers who have been previously required by lending institutions to execute a waiver of their right to avail of the benefits of the grace period granted under Section 4(aa) of the Bayanihan to Heal as One Act prior to the effectivity of the IRR?

Yes, the loans will still be covered by the mandatory 30-day grace period notwithstanding the execution by the borrower of a waiver prior to the issuance of the IRR. Section 3.03 of the IRR states that “no waiver previously executed by borrowers covering payments falling due during the ECQ period shall be valid.” Effectively, any waiver previously executed by borrowers covering loan payments falling due during the Enhanced Community Quarantine (ECQ) period shall be considered void. Nonetheless, borrowers may still choose to pay their obligations as they fall due during the ECQ period.

4. Does the IRR apply to all loan accounts whether current or past due?

Yes, the IRR covers all accounts regardless of whether these are current or past due.

5. Are loan accounts covered by post-dated checks, auto debit or auto deduct arrangements with lending FIs covered by the IRR?

Yes, the IRR covers loan accounts with issued post-dated checks and those with auto debit or auto deduct arrangements. In this case, FIs are advised to coordinate with their clients if they wish to proceed with the arrangement despite the mandatory 30-day grace period granted by law. FIs shall also coordinate with their clients if they wish to reverse checks cleared or payments debited/deducted prior to the enactment of the Bayanihan Act and its IRR, during the mandatory 30-day grace period. The reversal shall be done without corresponding fees and charges.

6. Are fees/charges related to loans extended or credit lines granted (e.g., credit card renewal fees) scheduled to be paid to during the ECQ period covered by the IRR?

Yes, fees and charges related to loans extended or credit lines granted are covered by the IRR.

7. How will the curing period of banks provided under Section 304 on Past Due Accounts and Non-Performing Loans of the New Manual of Regulations for Banks (MORB) be relevant in the application of the IRR? Can the 30-day curing period provided by banks to past due accounts be considered as a form of compliance with Section 4(aa) of the Bayanihan to Heal as One Act and its IRR? Or would it be added to the 30-day grace period provided by the subject law?

The 30-day mandatory grace period under the law effectively moves the payment due date. The curing period provided under Section 304 of the MORB will be applied based on the new due date of the account.

8. Are banks required to include in their letters of request for regulatory relief the application of the grace period even if this is already mandated under the Bayanihan to Heal as One Act and its IRR?

No. Banks are not required to request for application of 30-day grace period under the Act.

9. When will the 30-day grace period commence? Will it be from payment due date or from end of the ECQ?

The 30-day grace period shall commence from the payment due date falling within the ECQ period.

10. Will the principal amount payable during the grace period be added to the principal amount due in the next payment due date or will the final due date of the entire loan move by 30 days?

The last payment due date will move by 30 days. Interest accrued during the 30-day mandatory grace period may be paid in lump sum on the new date or on a staggered basis over the remaining term of the loan. Please refer to the example provided.

Example: A 5-year loan, with remaining maturity life of 4 years. If the monthly amortization of the loan due on 2 April 2020 is P10,500.00 with a portion applied to payment of the principal (e.g., P10,000) and monthly interest (e.g., P500):

a. What will the new due date be applying the 30-day grace period?

Answer: 2 May 2020

b. How much will the borrower pay on the next due date?

Answer: Principal for 1 month plus interest for 2 months

$$10,000 + 500 + 500 = 11,000$$

OR

Principal for 1 month plus interest for 1 month plus interest for 1 month/(4 years x 12 months)

$$10,000 + 500 + (500/(4 \times 12)) = 10,510.42$$

(Assuming that the principal and interest are constant at P10,000 and P500, respectively.)

This will move the due date of the last payment due by 30 days, e.g., if the last payment is due on 2 April 2024 before the application of the 30-day grace period, it will now be 2 May 2024.

11. Will amortizations be rescheduled in line with the 30-day grace period (i.e., plus one period for monthly amortizations)? Do BSFIs need to issue new Promissory Notes/Disclosure Statements for the new amortization schedule?

Yes. The amortizations will be effectively rescheduled in accordance with the 30-day grace period. Please refer to the example provided in Item 10. There is no need to issue new Promissory Notes/Disclosure Statements.

12. How will the IRR provisions apply to loans other than those amortized monthly (i.e., quarterly, semestral)?

The 30-day grace period will apply to all loans regardless of its amortization schedule, as long as the due date falls within the ECQ. FIs will add 30 days to the due date falling within the ECQ period to determine the new due date.

13. With respect to Section 5.02 of the IRR, how will the accrued interest be amortized over the remaining life of the loan? Do loan schedules need to be revised?

Please refer to Items 10 and 11.

14. Will the accounts applying the 30-day mandatory grace period be included in the past due loan (PDL) ratio computation and do banks need to apply for exclusion of the accounts as PDL?

No. The accounts applying the 30-day grace period will not be included in the PDL ratio computation. Likewise, banks no longer need to apply for exclusion of the accounts in the computation of the PDL ratio.

15. Do borrowers need to apply or request for approval from the lending FI for the application of the 30-day grace period?

No. The 30-day grace period will automatically be applied by all lending FIs.

16. For credit card revolvers (i.e., borrowers that do not pay in full every payment period), will interest on their outstanding balances continue to accrue during the 30-day grace period?

Under the IRR, interest will continue to accrue and this will be payable on the next due date, following the application of the 30-day grace period, either in lump sum or on staggered basis.

17. For credit card transactors, will interest accrue on the outstanding balance during the 30-day grace period?

Credit card transactors will not be charged any interest during the 30-day grace period if they pay the total outstanding balance on or before the new due date.

SUPPLEMENTAL GUIDELINES FOR CREDIT CARDS

1. All credit cardholders (whether current or past due status) will automatically be granted a 30-day grace period for card payments falling due within the ECQ Period.

2. All related late payment penalties as a result of the grace period will be waived and reflected in your next e-statement.

Thank you.