

## **Frequently Asked Questions (FAQs)**

*These FAQs are applicable to all borrowers having loan accounts under Retail (Gold Loans, Other Retail Loans, MSME and Financial Inclusion), SME and Wholesale*

### **1. What is meant by moratorium period for term loans?**

A moratorium period as regards to a term loan means a period wherein instalments need not be paid for that time period. It is only a deferment of the instalment to be repaid and not a concession or waiver with respect to the repayment

### **2. What is the moratorium/relief scheme that is being spoken about and mandated by the Reserve Bank of India? What are the products covered under this scheme?**

- a. The Reserve Bank of India (RBI) has permitted Banks to grant a moratorium of three months on payment of all instalments 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 approximately three months after the moratorium period.
- b. The instalments will include the principal and/or interest due, bullet repayments and EMIs
- c. The accrued interest for the moratorium period however will get adjusted over subsequent EMI payments once the moratorium period ends. This will result in increased residual tenor keeping the EMI and the interest rate the same
- d. All term loan and overdraft lines will get covered
- e. This comes to effect immediately
- f. Borrowers whose cash flows have genuinely been impacted due to the lockdown on account of Covid-19 should only seek the moratorium. It is not meant for all customers across the board. Salaried individuals who continue to get salaries on time or customers having sufficient cash flows should be advised not to opt for the Moratorium and continue to honour their monthly EMIs / servicing of interest.

### **3. How will the customer benefit?**

- a. The customer need not make the payment till May 31, 2020.
- b. Interest during the period of moratorium will continue to accrue on the principal outstanding at the contracted rate of the loan. The loan tenor will get extended by the corresponding period for which the moratorium has been availed.

- c. For example – if the customer has paid the EMI for Mar 2020 and has opted for the moratorium for April 2020 & May 2020, the loan tenor will get extended by a few months after adding the accrued interest to the principal outstanding and keeping the EMI and interest rate the same.
  - a. The extension of the loan tenor depends on
    - i. the type of loan
    - ii. residual tenor of the loan

**4. What should the customer do if he wants to opt for the Moratorium**

- a. The customer can decide, based on his/her cash flows, whether to opt for the moratorium or not.
- b. The Bank is offering the moratorium across the board for all customers.
- c. The mandates given by the borrowers earlier for standing instructions / NACH would not be suspended by the Bank and it would be run on due dates unless the borrowers on their own volition cancels it till the completion of moratorium period of maximum three months / or shorter period allowed under the regulations
- d. Amount received through standing instructions/ NACH mandates during the moratorium period shall be considered as advance payments
- e. Wherever customer gives specific requests for reversal of the amount already adjusted through standing instruction/ NACH during the moratorium period, the same may be reversed with the approval from the respective Business Head.
- f. If the customer skips to pay the EMI during this period, Bank will assume that the customer has opted for the EMI moratorium till May 31, 2020

**5. Does the moratorium automatically apply for the loans?**

- a. Yes, the Moratorium automatically applies for all loans for the instalment / interest servicing for the months of Mar 2020, Apr 2020 and May 2020.

**6. Will the presentment of EMI for Apr 2020 and May 2020 be stopped by the Bank?**

- a. No, the bank will continue to present the EMI for the months of Apr 2020 and May 2020
- b. If the customer skips making the payment for any of the months, then the Bank shall assume that the customer has opted for the Moratorium

- c. If the customer makes the payment, then the EMI would be credited to the loan account as an advance EMI (as stated in point 4d) and there would be no corresponding extension of the loan tenor
  - i. The embedded logic of providing a moratorium is to help only those customers whose cash flows have been temporarily impacted by Covid-19 pandemic
  - ii. The relief is being provided for 3 months starting Mar 1, 2020 and ending May 31, 2020

**7. But what will happen if the customer's bank levies a charge on his current account / savings account as a result of us presenting the instrument during Apr-May 2020**

- a. In case the customer wishes to avail the moratorium, he/she needs to speak to his (clearing) Bank asking them to stop honouring the EMI.
- b. There is no need for the customer to ask us (CSB Bank) to stop the presentment of the mandates since we will continue to present the mandates / instructions
- c. In case the customers have issued instructions for debiting CSB Bank account for repayment of the term loans / other loans, then we will run the standing instruction once. The 'hovering' option is suspended.

**8. Is there any way that the payments made in Mar 2020 be reversed back into the customer's account/refunded?**

- a. No. The payments already made into the Loan Account in March 2020 cannot be reversed.
- b. However, if the customer wants to avail moratorium for April 2020 and May 2020, he needs to contact his bank (clearing bank) requesting them to stop honouring that months' mandate
- c. If the customer has made the payment in April 2020 and May 2020 on account of the NACH mandates / standing instructions being run and seeks a refund, the same will get processed after getting an approval from the respective Business Head.
- d. All communication relating to the refund of the EMI for either April 2020 or May 2020 needs to be made to [covidcustomercare@csb.co.in](mailto:covidcustomercare@csb.co.in)
  - i. The call centre will take the customer's request over the phone and then shall write in to the above email address

- ii. If the customer walks in to the branches, his request may be taken in writing and then the branch can write to the above email address
- iii. The customer can directly write to the above email address (preferably from the registered mail address) since the FAQ is being hosted on our website.

**9. What happens after the moratorium period ends? Will all EMIs need to be paid at once?**

- a. The EMI due date for all customers has been shifted to Jun 2020 and hence repayment of loan will start from Jun 2020. Interest will accrue during the moratorium period.
- b. Accrued interest will get adjusted over subsequent EMI payments once the moratorium ends and will result in an increased residual tenor.
- c. Depending on the vintage of the loan and residual life, this may run into several months beyond the contracted term of the loan.
- d. For example – in every EMI, there is a principal component and interest component. Since the interest during the moratorium period will be accrued, the EMI for the month of June 2020 will be first appropriated with the interest amount.
- e. Once the accrued interest for April and May 2020 is recovered along with the interest recovery for months post the moratorium, the EMI will be apportioned towards principal repayments.
- f. In the case of non-EMI loans, the interest debited during the moratorium period should be paid within 3 months after moratorium.

**10. Will the moratorium facility affect customer's Credit Rating?**

- a. No. Opting for the EMI moratorium will not affect any customer's Credit Rating or Score with the credit bureaux.

**11. What will be the treatment of interest on the working capital facilities?**

- a. The recovery of interest applied to cash credit / overdraft on March 31, April 30 and May 31 is being deferred
- b. The accumulated accrued interest shall be recovered immediately after the completion of this period

**12. Will penal interest (due to deferment) be levied for the instalments which are falling due between Mar 1, 2020 and May 31, 2020 and which have been deferred by availing the moratorium option?**

- a. No, penal interest will not be charged due to the deferment of the instalment which are falling due between Mar 1, 2020 and May 31, 2020.
- b. However, interest would continue to accrue on the outstanding principal at the applicable rate of interest of the loan

**13. Will the terms and conditions of sanctions/loan agreement change?**

No, since the moratorium / deferment / recalculation of the 'drawing power' is being provided specifically to enable the customer 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

**14. How can an SME, avail the relief provided under the RBI Circular?**

The SME may approach the Bank for availing the relief offered under this scheme by reaching out to the Relationship Manager or by writing a mail to [covidcustomercare@csb.co.in](mailto:covidcustomercare@csb.co.in) from the official email ID of the authorized signatory.

However, it may be noted that this would lead to deferment of debt servicing obligations by three months along with interest accrued for this period. Accordingly, to save interest, it is advisable to pay as per the existing schedule, if cash flows permit.

**15. How can a corporate (other than SME) avail the relief provided under the RBI Circular?**

The corporates may approach the bank for availing the relief offered under this scheme and the same will be evaluated by the Bank and made available to corporates in need. However, it is advisable to pay the principal and interest as per the existing schedule unless the current cash flow situation due to Covid-19 pandemic does not allow for usual debt servicing. The corporates can reach out to the Relationship Manager for such deferment with a written request / mail from the official email of the authorized signatory.