

## **SBI's Loan Recast Scheme**

### **Why in news?**

Banks led by State Bank of India are offering a moratorium of two years to retail investors.

### **What are the reliefs?**

- The relaxations under the framework, subject to compliance of bank norms, include
  1. Moratorium of up to a maximum of 24 months,
  2. Rescheduling of instalments, and
  3. Extension of tenure by a period equivalent to the moratorium granted subject to a maximum of 2 years.
- During moratorium, borrowers don't have to pay EMIs on the loan.
- Interest will be applied during the moratorium period.
- The moratorium sanctioned under the framework will be in addition to the moratorium granted by the bank earlier.
- If the borrowers have surplus cash during the moratorium, they can pay EMIs during the moratorium.
- This will help in reducing the interest amount.

### **Will there be any change in EMI after the loan recast?**

- The tenure of the loan will be extended by the period of the moratorium i.e 24 months.
- The EMI payable after the moratorium will be recalculated and advised to the customers.

### **Will there be any change in pricing of the loan?**

- Interest will be applied during the two-year period.
- Borrowers should pay additional interest of 0.35% per annum over and above their current pricing for the remaining tenure.
- This is to offset the partial cost of additional provisions required to be made by the bank.

### **Who is eligible for loan restructuring?**

- The main criterion is whether the borrower is impacted by the Covid-19 pandemic.
- A retail borrower will be considered as affected by the Covid-19 pandemic if they fulfil certain conditions laid down by the SBI.
- To be eligible under the recast framework, the following eligibility conditions need to be fulfilled:
  1. The retail loan should be a “standard account” as on the date of application for relief under this framework; and
  2. It should have been “standard” and not in default for more than 30 days as on March 1, 2020.
- The beneficiaries include those who have taken home, education, auto or personal loans under the loan restructuring policy approved by the Reserve Bank of India (RBI).

### **What is the maximum age up to which the tenure can be extended?**

- The SBI says this is product specific.
- In the case of home loan, the tenure of the loan can be extended up to a maximum of 24 months or till the primary borrower attains 77 years of age, whichever is earlier.
- In any case, the tenure can be extended only up to maximum 24 months under this framework for Covid-19 related stress.
- The last date to apply for relief under the framework is December 24, 2020.

### **Is a borrower eligible for restructuring of multiple loan accounts?**

- A person can apply for relief under the framework in more than one account.
- If one of his loan accounts is irregular for more than 30 days as on March 1, 2020, other standard accounts which met the eligibility criteria would be eligible for relief.
- However, the customer’s eligibility for a new loan will depend on the prescribed eligibility norms for the respective loan scheme of the bank.

### **How does retail recast compare with corporate loan recast?**

- The retail loan restructuring is on liberal terms when compared to the corporate loan recast plan recommended by the [Kamath Committee](#).
- The RBI has broadly accepted the Committee’s recommendation to take into account five specific financial ratios.
- It has also accepted the sector-specific thresholds for each ratio in respect of 26 sectors while finalising the resolution plans.
- The process is complicated as signing of Inter-Creditor Agreement (ICA) is a mandatory for all lending institutions in all cases involving multiple lending

institutions, where the resolution process is invoked.

**Source: The Indian Express**

