



COVID-19

Who can take advantage of credit
vacations and how?

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In the third final reading the state Duma adopted amendments to the Federal law "On the Central Bank of the Russian Federation (Bank of Russia)" providing holiday loans to citizens, individual entrepreneurs and small businesses caught in a difficult situation due to the pandemic coronavirus (COVID-19).

On 25 March the President of Russia Vladimir Putin has addressed to citizens, in which he proposed a break on consumer and mortgage loans for borrowers whose incomes are in the current situation fell more than 30%.

Who are credit vacations designed to help?

- citizens
- individual entrepreneurs
- small and medium-sized businesses (among the most affected industries)

What is a "credit vacation"?

In fact, this is a deferred payment on the loan. Under the new amendments, a borrower can ask for a delay on loan repayment for up to 6 months if their income for the past month has decreased by 30% or more compared to their average monthly income for 2019. You can apply for a "postponement" no later than September 30, 2020.

It should be noted that individual entrepreneurs can ask for a reduction in the amount of payments during this time instead of a grace period. During this period, no penalties can be accrued for non-fulfillment of obligations to repay the loan. Also important is the fact that the amount of interest, penalty (fine, penalty fee) for late repayment of the loan or interest that was not paid before the grace period was established is fixed and paid after it ends.

The borrower can determine the start date and duration of the credit vacation, and a citizen or individual entrepreneur can terminate the grace period at any time and repay part of the loan amount ahead of time, notifying the lender.

Credit holidays are also provided for small and medium-sized businesses, but the Government has not yet prepared a list of industries that have been most affected by the pandemic. To get a "deferral", you will need to contact the lender, who will have to consider such an application within five days.

How to get it?

Amendments to the law "on consumer credit (loan)" provide for the following mechanism:

- the borrower can contact the Bank in writing or by phone.
- documents confirming the reduction of income can be provided later, within 90 days (for good reason, this period may be extended for another 30 days). These include, for example, a sick list, a document confirming the diagnosis, a work record where there is a mark of dismissal, or a document from the employer indicating changes in working conditions and wages. In addition, the Bank can independently request the necessary information from the Federal tax service, FIU, FMS and FSS.
- the Bank must make a decision on such an application within 5 business days.

What loans can be used for vacations?

The maximum amount of credit for which you can request a delay is already established by Government Decree No. 435 of 03.04.2020.

For consumer loans issued to individuals, there is a limit of 250 thousand rubles, for individual entrepreneurs this amount is 50 thousand rubles more rubles. If we are talking about a consumer loan with a credit limit, in other words, a credit card, then there is a limit of 100 thousands of rubles.

For consumer loans for the purchase of a car (with auto collateral) the limit is set at 600 thousand rubles, and for a mortgage – 1.5 million rubles.

When applying to the lender with the requirement about change of conditions of credit agreement the borrower is necessary not only to specify to suspend performance of its obligations under the contract (loan agreement), or to reduce the amount of payments during the grace period, but to refer to FZ "About Central Bank of the Russian Federation (Bank of Russia)", as well as to determine the duration of the grace period, the date of its beginning. In the absence of such if you specify a period, it will automatically be equal to 6 months and will be counted from the date the direction of the requirements.

What about percents?

During the grace period, banks will continue to charge interest that they will increase the amount of debt.

- For mortgage loans, interest will be charged at the rate set by the Bank credit agreement
- For consumer loans, including those with a limit (credit cards), a preferential interest rate of 2/3 of the average market rate calculated by the Central Bank is set.
- For small and medium-sized businesses, preferential rates are not provided, interest will be charged at the old rates.

It should be borne in mind that every case of obtaining a loan, even on preferential terms, is unique and requires serious consideration. We will be happy to provide you with the necessary expert assessment if you have a similar need.