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COVID-19. Who can take advantage of credit vacations and how?

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.

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