

Credit assistance measures to support borrowers

Chart 1 Loan repayment measures to assist borrowers affected by COVID-19



ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Credit Assistance Measures to Support Borrowers Affected by COVID-19



effective from April 1, 2020
onwards.



No negative credit history

These are the minimum assistance measures to lessen the customer's debt burden.
Each financial service provider can provide better financing options than the minimum measures.

Credit types	Minimum measures to assist debtors								
<p>1. Credit card and revolving loan </p>	<p>Lowering the minimum repayment (from 10%)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Minimum repayment rate</th> </tr> </thead> <tbody> <tr> <td>2020-2021</td> <td>5%</td> </tr> <tr> <td>2020</td> <td>8%</td> </tr> <tr> <td>2023</td> <td>10%</td> </tr> </tbody> </table> <p>In addition, borrowers can convert their debts to long-term loans with lower interest rates.</p>	Year	Minimum repayment rate	2020-2021	5%	2020	8%	2023	10%
Year	Minimum repayment rate								
2020-2021	5%								
2020	8%								
2023	10%								
<p>2. Personal loan with installment payments and car title loan </p>	<p>For commercial banks and SFIs:</p> <ul style="list-style-type: none"> • moratorium on repayment of principal and interest for 3 months <p>For Other financial services providers:</p> <ul style="list-style-type: none"> • moratorium on repayment of principal and interest for 3 months or • reduction in repayment of loan for at least 30% of installment payments for 6 months 								
<p>3. Hire purchase Motorcycles: loan amount not exceeding 35,000 baht Every type of automobiles: loan amount not exceeding 250,000 baht </p>	<ul style="list-style-type: none"> • Moratorium on repayment of principal and interest for 3 months or • Moratorium on repayment of principal for 6 months 								
<p>4. Leasing outstanding loan not exceeding 3 million baht </p>									
<p>5. Housing loan with loan amount not exceeding 3 million baht </p>	<p>Moratorium on repayment of principal for 3 months with a consideration to lower interest payment that is suitable for customers on a case-by-case basis</p>								
<p>6. SMEs loans, Microfinance, and Nano finance with loan amount not exceeding 20 million baht </p>									

- Borrowers who could make their payments regularly will be provided a special offer as appropriate.
- Borrowers with several types of loans can get all types of assistance as specified in the conditions.

The measures are results of a coordination between the BOT and 9 associations including 1. The Thai Bankers' Association 2. The Association of International Banks 3. The Government Financial Institutions Association 4. Thailand Leasing Association 5. Thai Hire-Purchase Association 6. Vehicle Title Loan Trade Association 7. Thai Motorcycle Hire-Purchase Association 8. Credit Card Club – The Thai Bankers' Association 9. Personal Loan Club.

The Bank of Thailand (BOT) coordinated with financial institutions and other financial service providers to assist borrowers affected by the COVID-19.

In recent periods, the Thai economy has been continuously affected by negative risk factors, including trade tensions, the drought, as well as increasingly severe COVID-19 outbreak. On February 28, 2020, the BOT, in collaboration with financial institutions, issued proactive measures to assist borrowers of all types of business loans and households affected by the outbreak. These measures will be effective for a period of 2 years between January 1, 2020 to December 31, 2021 and aim at supporting liquidity provision and accelerating debt restructuring process. Examples include provision of additional working capital, a loan repayment holiday, an extension of loan repayment period, interest and fee reduction, minimum repayment reduction for credit card loans to below 10 percent, and a temporary increase in the credit limit of personal loans.

The BOT has been coordinating closely with financial institutions and other financial service providers and agreed that the impact of the COVID-19 would become more severe and widespread. Thus, all parties deemed it urgent to adopt a set of minimum measures to support retail and SME borrowers with the potential to repay their loans and whose loans are not past due for longer than 90 days (NPL). Such measures will become effective from the debt repayment period of April 1, 2020 onwards. Details are summarized as in Chart 1, where each financial service provider could offer relief packages that are better than the minimum measures.

The BOT relaxed regulations to further encourage financial institutions to provide liquidity to affected borrowers.

The BOT temporarily relaxed liquidity-related regulations^{17/} in order to reduce credit costs of financial institutions that increased from liquidity provision and debt restructuring for affected borrowers. This would enable financial institutions to assist borrowers more extensively and faster. Details of relaxed regulations are as follows.

(1) Pre-emptive debt restructuring for borrowers with signs of debt repayment problems but are not yet classified as NPL. Debt restructuring for these borrowers will not be classified as trouble debt restructuring (TDR), thus not affecting borrowers' credit history. This will remain a permanent measure.

(2) Classification of borrowers entitled to the relief measures:

(2.1) Borrowers under pre-emptive debt restructuring can be immediately classified as normal borrowers.

(2.2) NPL borrowers, who can make repayments in accordance with the debt restructuring agreement for 3 consecutive months, can be classified as normal borrowers (from previously having to make repayment for 12 consecutive months).

(2.3) Borrowers obtaining additional working capital can be immediately classified as normal borrowers.

(3) Provision not required for credit lines of borrowers that are not yet activated.

^{17/} For the duration of 2 years starting from January 1, 2020 until December 31, 2021

(4) Period for holding non-performing assets (NPA) obtained from debt restructuring for financial institutions was extended to 10 years (from previously 5 years).

(5) Relationship managers (RM) can provide assistance regarding debt restructuring to their clients with prudent internal controls.

(6) Financial institutions must report credit conditions and progress in assisting these borrowers to the BOT on a monthly basis so that the BOT can continuously monitor the situation.

Related government agencies launched measures to support debt restructuring and additional credit provision

(1) Tax relief measures: exemption from personal and corporate income taxes for borrowers' income earned from forgiven debt; exemption from income tax, value added tax (VAT), and specific business tax (SBT), stamp duties for both borrowers and creditors imposed on income earned from transfer of assets, sales of goods or provision of services, and any instrument executed in relation to debt restructuring, as well as reduction of fees for registration and transfer of property from 2 to 0.01 percent.

(2) Financial statements of financial institutions on classification and provision: Auditors shall provide opinion without bias in compliance with relevant accounting and supervisory standards of the BOT.

(3) The Thai Credit Guarantee Corporation (TCG) launched additional credit guarantee facilities, including "The Funding Thai SMEs for Thailand" program with a guaranteed amount of 60 billion baht, and the 8th phase of Portfolio Guarantee Scheme (PGS8) with a guaranteed amount of 50 billion baht. These will somewhat help reduce credit costs of financial institutions. In addition, TCG will extend the maturity of credit guarantee period for SMEs already under PGS5 – PGS7 for another five years in order to facilitate debt restructuring. There will also be an adjustment in claiming procedures that can be done without borrowers having to enter into a litigation, and an expansion in guarantee coverage.

These measures will only be successful if financial institutions and other financial service providers play an active role, while more borrowers cooperate in accelerating debt restructuring.

The BOT, financial institutions, and other financial service providers aim to ease interest burdens of those affected by the outbreak in order to enhance their liquidity by urgently implementing minimum measures and additional debt restructuring measures to have a noticeable impact. The BOT has relaxed regulations to reduce credit costs of financial institutions arising from proactive measures to support borrowers. Such credit assistance measures for borrowers will reinforce financial and fiscal measures gradually implemented previously in order to reduce funding costs for financial institutions. Such measures include, for instance, a more accommodative monetary policy by cutting the policy rate to a historically low level, and soft loan worth 1.5 trillion baht funded by the Government Saving Bank. However, these support measures for borrowers will only be successful if financial institutions and other financial service providers play an active role, while more borrowers cooperate in accelerating debt restructuring. The BOT will continue to monitor and push forward measures to assist borrowers so that borrowers affected by the outbreak would be able to pass through this difficult time.