

NEW POINTS ON LOAN RESCHEDULING, EXEMPTION OR REDUCTION OF INTERESTS AND FEES, RETENTION OF LOAN CATEGORIES TO ASSIST BORROWERS AFFECTED BY COVID-19 PANDEMIC

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On September 7, 2021, the State Bank of Viet Nam (**the SBV**) issued Circular 14/2021/TT-NHNN to amend and supplement a number of articles of Circular 01/2020/TT-NHNN providing instructions for credit institutions and branches of foreign banks on loan rescheduling, exemption or reduction of interests and fees, retention of loan categories to assist the borrowers affected by Covid-19 pandemic (**Circular 14**). Previously, Circular 01 was amended and supplemented by Circular 03/2021/TT-NHNN (**Circular 03**); however, some provisions of Circular 03 related to loan rescheduling, exemption or reduction of interest and fees are no longer relevant at the present time. Therefore, Circular 14 has been issued to overcome the above problems. This Circular takes effect from the date of issuance, including 2 notable points:

Firstly, amendments and supplements to the conditions of loan rescheduling. Accordingly, a loan including the principal and/or interest may be rescheduled for repayment by credit institutions and branches of foreign banks (**credit institutions**) when the 8 following conditions are fully satisfied:

- (i) The loan arises from financial lending or lease before August 1, 2021.
- (ii) The obligation of principal and/or interest repayment occurs during the period from January 23, 2020 to June 30, 2022.
- (iii) The outstanding balance of the rescheduled loan is subject to one of the following cases:



- a) The outstanding balance being undue or overdue up to 10 days from the due date of payment or the loan repayment term as specified in the concluded contract or agreement, except for cases (b), (c) and (d).
- b) The outstanding balance of loans occurring before January 23, 2020 and becoming overdue during the period from January 23, 2020 to June 30, 2020.
- c) The outstanding balance of loans occurring during the period from January 23, 2020 to the day before June 10, 2020 and becoming overdue before May 17, 2021.
- d) The outstanding balance of loan occurring during the period from June 10, 2020 to the day before August 1, 2021 and becoming overdue during the period from July 17, 2021 to the day before September 7, 2021.

(iv) The borrower is assessed by credit institutions as incapable of paying the principal and/or interest on schedule under the relevant contract or agreement due to decrease in revenue or income caused by Covid-19 pandemic.

(v) The borrower applies for rescheduling loan repayment term and is assessed by credit institutions as capable of paying the full principal and/or interest under the rescheduled repayment term.

(vi) The credit institutions shall not reschedule any loans that violate regulations of law.

(vii) The rescheduling period (including loan extension) shall correspond to the impacts of the Covid-19 pandemic on the borrower and shall not exceed 12 months from the date when the credit institutions reschedule the repayment term, or from the due date of each outstanding balance with repayment term rescheduled.

(viii) Loan rescheduling shall be carried out until June 30, 2022.

Secondly, extension of the time limit for reduction and exemption of interests and/or fees and retention of loan categories. Specifically, the SBV allows credit institutions to reduce and exempt the interests and/or fees for borrowers until June 30, 2022 for outstanding balances of loans arising before August 1, 2021 for which the obligation to repay the principal and/or interest are due during the period from January 23, 2020 and June 30, 2022; at the same time, stipulates the retention of classified categories of loans arising from January 23, 2020 to the day before August 1, 2021.



SOME COMMENTS AND RECOMMENDATIONS

Compared with the provisions of Circular 01 and Circular 03, Circular 14 allows credit institutions to extend the loan rescheduling period by 6 months and clearly specifies the extended timelines. This amendment and supplement is reasonable, especially in the context that the current Covid-19 pandemic is relatively complicated and greatly affects the business and production situation of enterprises; thereby creating a legal corridor for lending and leasing activities, ensuring safety for the financial-banking system. This helps businesses and banks themselves reduce the pressure on loan repayment, temporarily avoiding being transferred to a worse loan category. On the other hand, enterprises can also take advantage of loan rescheduling opportunities to gain more resources and time to continue production and business recovery, especially for those negatively affected by Covid-19 pandemic.

It should be noted that, in order to reschedule loans, the credit institutions will assess the capability to fully repay the principal and/or interest according to the rescheduled repayment term based on enterprises' request. Therefore, enterprises need to understand the above specific conditions of Circular 14, compare them with their actual situation and relevant regulations of the credit institutions to prepare a suitable application for loan rescheduling, ensuring feasibility to be soon approved by credit institutions. Enterprises also need to constantly update new policies to take advantage of the best opportunities for production and business in the current context of the Covid-19 pandemic.