Grace Periods in Relation to Republic Act No. 11469, otherwise known as the Bayanihan to Heal As One Act

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Background

On 23 March 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal As One Act, was passed, pursuant to which the President was granted the authority to adopt several temporary measures to respond to the crisis brought about by the pandemic.

One of the temporary measures provided for in RA No. 11469 is the implementation of a 30-day grace period for the payment of loans (Section 4[aa]).

1. What institutions or entities are directed to implement a 30-day grace period for the payment of loans?

All banks, quasi-banks, financing companies, lending companies, and other financial institutions, public and private, including the Government Service Insurance System, Social Security System, and Pag-ibig Fund are directed to implement a minimum of a 30-day grace period for the payment of all loans. *(Section 4[aa], RA No. 11469)*

The Implementing Rules and Regulations (IRR) of RA No. 11469 define "Covered Institutions" as "all lenders, including but not limited to banks, quasi-banks, non-stock savings and loan associations, credit card issuers, pawnshops and other credit granting financial institutions under the supervision of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), and Cooperative Development Authority, public or private, including the Government

Service Insurance System, Social Security System and Pag-ibig Fund". *(Section 2.01, IRR of RA No. 11469)*

2. What types of loan are covered by the 30-day grace period?

All loans, including, but not limited to salary, personal housing, and motor vehicle loans, as well as credit card payments, extended by Covered Institutions to individuals, households, MSMEs, corporate borrowers, and counterparties are covered. *(Section 4[aa], RA No. 11469; Section 4.01, IRR of RA No. 11469)*

Persons with multiple loans are given a minimum of 30-day grace period for every loan. *(Section 4[aa], RA No. 11469; Section 4.02, IRR of RA No. 11469)*

3. When is a person entitled to the 30-day grace period?

A person is entitled to the 30-day grace period when payments on the loan fall due within the period of the Enhanced Community Quarantine (ECQ), without incurring interests, penalties, fees or other charges. *(Section 4[aa], RA No. 11469; Section 3.01, IRR of RA No. 11469)*

As of this date, the ECQ is in effect from 16 March 2020 until 15 May 2020.

4. Can Covered Institutions ask borrowers to waive the application of RA No. 11469, including the implementation of the 30-day grace period to their loans?

No. Any waiver previously executed by borrowers covering loan payments falling due during the ECQ shall be considered void. *(Section 3.03, IRR of RA No. 11469; See also BSP Memorandum No. M-2020-018)*

However, borrowers may still pay their obligations as they fall due during the ECQ should they so desire. *(Section 3.03, IRR of RA No. 11469)*

5. Will additional documentary stamp tax (DST) be imposed as a consequence of the 30-day grace period?

No. Also, no DST shall be imposed on credit extensions and credit restructuring, micro-lending including those obtained from pawnshops, and extensions thereof during the *ECQ*. *(Section 5.02, IRR of RA No. 11469)*

6. Will pre-existing loans that fall due during the ECQ period where interest is paid but the principal is rolled-over or renewed as a new loan principal in accordance with a pre-agreed roll-over arrangement and collateral documentation thereof prior to the COVID-19 be subject to DST?

Yes. *(See B[1][b] of BIR Revenue Memorandum Circular No. 36-2020)*

7. Will fresh loan availments, top-up to existing loans, and new loan drawdowns during the ECQ period and its collateral documentation remain subject to DST?

Yes, as applicable. *(See B[3] of BIR Revenue Memorandum Circular No. 36-2020)*

For "financial institutions" under the supervision of the BSP

(Please see BSP Memorandum No. M-2020-018.)

8. What types of financial institutions are covered by the IRR of RA No. 11469?

For purposes of implementation by the BSP, the IRR of RA No. 11469 covers all BSP-supervised financial institutions with lending operations, which include banks, quasi-banks, non-stock savings and loan associations, credit card issuers, trust departments/corporations, pawnshops, and other credit granting entities under the supervision of BSP.

9. Does the IRR apply to all loan accounts, whether current or past due?

Yes.

10. Are loan accounts covered by post-dated checks, auto debit or auto deduct arrangements with lending financial institutions covered by the IRR?

Yes.

11. When will the 30-day grace period commence?

The 30-day grace period will commence from the payment due date falling within the ECQ.

12. Will the principal amount payable during the grace period be added to the principal amount due on the next payment due date, or will the final due date of the entire loan be moved by 30 days?

No, the principal amount payable during the grace period will not be added to the principal amount due on the next payment due date. Instead, the last payment due date will move by 30 days.

Interest accrued during the 30-day grace period may be paid in lump sum on the new date or on a staggered basis over the remaining term of the loan. *(See also Section 5.02, IRR of RA No. 11469)*

13. Do borrowers need to apply or request for approval from the lending financial institution for the application of the 30-day grace period?

No. The 30-day grace period will be automatically applied by the lending financial institutions.