



## Frequently Asked Questions (FAQs)

On the Implementation of the Mandatory Grace Period for All Loans  
With Principal and/or Interest Falling Due Within the Enhanced Community Quarantine  
and Other Prevailing Rules During the COVID-19 Pandemic

### **1. What is the prevailing rule on the collection of loan payments falling due within Enhanced Community Quarantine (ECQ) Period?**

In accordance with Section 4(aa) of Republic Act No. 11469, or the Bayanihan to Heal as One Act, the President shall have the power to direct all banks, quasi-banks, financing companies, lending companies, and other financial institutions, public and private, to implement a grace period for a minimum of thirty (30) days for the payment of all loans falling due within the ECQ Period.

In line with this, the Department of Finance (DOF) issued the Implementing Rules and Regulations (IRR) of Section 4(aa) of the Bayanihan to Heal As One Act for the implementation of the mandatory grace period.

### **2. What does the mandatory grace period provision in the IRR provide?**

The mandatory grace period extends the deadline for the payment of loans with principal and/or interest falling due within the ECQ Period. It aims to give borrowers more time to raise the funds needed to repay their loans and to allow them to prioritize their needs amid the pandemic.

It provides that all covered loans with maturity date of the principal and/or interest, including amortizations, within the ECQ Period shall be given a mandatory thirty (30)-day grace period, without incurring interest on interest, penalties, fees, and other charges.

### **3. What are the institutions that are required to implement the mandatory grace period?**

Insofar as the Securities and Exchange Commission (SEC) is concerned, the IRR of Section 4(aa) of the Bayanihan to Heal As One Act covers financing companies (FCs), lending companies (LCs), and microfinance NGOs (MF-NGOs).

It also covers loans that were obtained through online lending applications/platforms that are owned and operated by registered FCs and LCs.

**4. Do borrowers need to apply, request, or seek approval for grant of the grace period?**

No. The mandatory 30-day grace period is automatically applied to all loans with principal and/or interest falling due within the ECQ Period.

**5. Can the borrower execute a waiver of the application of the provisions of Section 4(aa) of RA No. 11469?**

No. It is expressly provided under Section 3.03 of the IRR that Covered Institutions are prohibited from requiring their clients to waive the application of the provisions of the “Bayanihan to Heal As One Act”, including among others, the 30-day grace period. Furthermore, no waiver previously executed by borrowers covering payments falling due during the ECQ Period shall be valid.

**6. What are the loans that are covered under the mandatory grace period?**

The grace period will be provided to all loans extended by Covered Institutions to individuals, households, micro-, small- and medium-sized enterprises (MSMEs), corporate borrowers, and other counterparties, with principal and/or interest falling due within the ECQ Period.

**7. When should the principal and/or interest payment fall due in order for the borrower to avail of the 30-day grace period?**

Under Section 2.01(c) of the IRR, the 30-day grace period shall apply to all loans with principal and/or interest falling due on any date within the ECQ Period, from 17 March 2020 to 12 April 2020.

However, Section 3.01 of the IRR provides that the initial 30-day grace period shall automatically be extended if the ECQ period is extended by the President of the Republic of the Philippines pursuant to his emergency powers under the Bayanihan to Heal as One Act.

In light of the extension of the ECQ Period to 30 April 2020, the grace period shall also apply to loans with principal and/or interest falling due between 13 April 2020 and 30 April 2020.

**8. When will the mandatory 30-day grace period commence?**

The 30-day grace period shall be counted from the due date falling within the ECQ period. For a loan with principal and/or interest payment due on 12 April 2020, the

grace period shall end and the amount due will have to be settled on 12 May 2020.

**9. In areas outside Luzon, when is the commencement date of the mandatory 30-day grace period?**

The mandatory 30-day grace period will be counted from the due date which falls within the specific period during which the ECQ is implemented in the area.

**10. If the lender's operations are in Visayas and Mindanao, will the grace period still be mandatory?**

The grace period will still be mandatory. However, the loans to be covered by the mandatory grace period would vary depending on the ECQ Period in their particular areas.

**11. What about loan amortizations falling due within the ECQ Period? Is the mandatory grace period applicable to these?**

Yes. The mandatory 30-day grace period shall also apply to loan amortizations, as long as the due date falls within the ECQ Period.

**12. Is the IRR applicable to credit products with automatic debit arrangements?**

Yes. The 30-day grace period provided in the IRR applies to credit products with automatic debit arrangements. Here, the lenders shall notify their borrowers regarding the availability of this feature during the ECQ Period. Should the borrowers express to the lenders their intention to avail of the 30-day grace period, the mandatory grace period shall be observed by the lenders and correspondingly, disable the automatic debit arrangement.

In addition, borrowers may request for a refund of the amount deducted from their balance which was not intended for the loan repayment during the ECQ Period. The refund shall be done without corresponding fees and charges.

**13. Does the 30-day grace period also apply to fees and other charges related to credit cards such as standard monthly fees, insurance charges, cash advance fees and FX conversion fees?**

Yes. Fees and other charges related to the use of credit cards are covered by the IRR, pursuant to Sec. 4(aa) of RA No. 11469.

**14. If an account is already past due prior to the ECQ Period, should a grace period still be given to the account?**

Yes. The 30-day grace period shall still be applied. However, the interest, penalties, fees and other charges that have already accrued prior to the ECQ Period shall not be affected and, thus, may be collected upon the lifting of the ECQ (*please refer to Scenario 2 provided below*).

**15. How shall multiple loans be treated?**

According to Section 4.02 of the IRR, the mandatory 30-day grace period shall apply to multiple loans of individuals and entities, with principal and/or interest falling due within the ECQ Period. It is specifically provided that the grace period shall apply to each loan.

**16. Considering the extension of the ECQ Period, what would happen if after applying the mandatory grace period, the due date still falls within the ECQ Period?**

In this case, the new due date falling within the extended ECQ period shall further be extended by an additional period of thirty (30) days.

In the case of a principal and/or interest payment originally due on 20 March 2020, the grace period would have ended on 19 April 2020. In view of the extension of the ECQ Period, however, the deadline for the payment of the principal and/or interest due shall be further extended to 19 May 2020 (*please refer to Scenario 5 provided below*).

**17. After the grace period, will the borrower be required to pay for the principal and/or interest for two months? Will loan amortizations be rescheduled?**

No. The borrower may only pay the principal and/or interest that fell due within the ECQ Period. Loan amortizations will be rescheduled accordingly (*please refer to Scenarios 3 and 4 provided below*).

**18. Can FCs, LCs and microfinance NGOs still charge additional interest on interest and other charges such as late payment fees?**

Under Section 3.02 of the IRR, all Covered Institutions shall not charge or apply interest on interest, fees and charges during the 30-day grace period.

**19. When should the borrower pay the accrued interest?**

The borrower has the option to pay the accrued interest in full after the 30-day grace period or on a staggered basis over the remaining life of the loan.

**20. Who decides whether the payment of the accrued interest will be on a staggered basis or in full?**

It is the borrower who has the option to pay the accrued interest in full or on a staggered basis.

**21. Is the relief granted under BSP Memorandum No. M-2020-008 also available to FCs with a credit card license?**

The Bangko Sentral ng Pilipinas (BSP) regulates the issuance of the Certificate of Authority to Operate as a Credit Card User for non-bank financial institutions. All concerned are advised to refer such questions to the BSP.

**22. Are FCs, LCs and microfinance NGOs exempted from the ECQ? Can they be issued IATF Accreditation or the Equivalent Certification?**

The SEC's Guidelines for the Issuance of IATF Accreditation ID or the Equivalent Certification only covers capital market institutions, participants, and their respective employees comprising their skeletal workforce.

This certification issued by the Commission shall be used strictly for capital market-related work by virtue of Resolution No. 13, Series of 2020 issued by IATF-EID on 17 March 2020. The resolution allows for the resumption of operations of the capital market effective 18 March 2020.

## Sample Computation of the Principal and Accrued Interest Under Different Scenarios<sup>1</sup>

### Scenario 1: Principal and interest fall due during the ECQ Period

Borrower X took out a loan from an online lending application on 16 March 2020 amounting to Five Thousand Pesos (Php 5,000.00) with an interest rate of three percent (3%) per month. The said loan is payable in thirty (30) days, or until 15 April 2020, which falls under the ECQ Period.

Following the IRR, Borrower X shall be given a 30-day grace period, or until 15 May 2020 to pay the loan, without incurring interest on interest, penalties, fees and other charges.

In view of the foregoing, Borrower X will need to pay in the following manner:

If Borrower X pays on 15 May 2020:

Principal	Php 5,000.00
Interest 3% per month 16 March to 15 April 2020 16 April to 15 May 2020	Php 150.00 Php 150.00
Total Amount Due	Php 5,300.00
assuming that interest and other fees are not deducted upon consummation of the loan	

<sup>1</sup> In providing the scenarios, the SEC made reference to the Memorandum No. M-2020-018 issued by the BSP.



**Scenario 2: Principal and interest fall due prior to the ECQ Period**

Borrower X took out a loan from an online lending application on 10 February 2020 from XYZ Lending Company amounting to Five Thousand Pesos (Php 5,000.00) with an interest rate of three percent (3%) per month and a late charge of one percent (1%) per month, in case of default. The said loan is payable in thirty (30) days, or on 11 March 2020. Borrower X, however, defaulted and, thus, incurred interest and a late charge prior to the ECQ Period (17 March 2020).

The 30-day grace period shall still be applied in this case. However, the interest and late charge that have already accrued prior to the ECQ Period shall not be affected and thus, may be collected upon lifting of the ECQ.

In view of the foregoing, Borrower X will need to pay in the following manner:

If Borrower X pays on 11 May 2020 (after the ECQ Period extension):

Principal	Php 5,000.00
Interest 3% per month	Php 450.00
10 February to 11 March 2020	Php 150.00
12 March to 11 April 2020	Php 150.00
12 April to 11 May 2020	Php 150.00
Late Charge of 1% per month	Php 50.00
Total Amount Due	Php 5,500.00
assuming that interest and other fees are not deducted upon consummation of the loan	

**Scenario 3: Interest accrued during ECQ period to be paid in lump sum (installment loan)**

On 09 February 2020, Borrower X took out a loan from XYZ Lending Company through its online lending application amounting to Thirty Thousand Pesos (Php 30,000.00) with an interest rate of three percent (3%) per month or a monthly amortization of Ten Thousand Pesos (Php 10,000.00) and equivalent monthly interest based on outstanding balance. The loan is payable in three (3) months, or until 09 May 2020.

Following the IRR, XYZ Lending Company shall give Borrower X a thirty (30)-day grace period for the loan. Thus, the loan will be due on 09 June 2020.

In view of the foregoing, Borrower X will need to pay in the following manner:

	Amortization Schedule	Balance	Interest of 3% per month	Monthly Amortization	
	09 February	Php 30,000.00			
1	09 March	Php 20,000.00	Php 900.00	Php 10,900.00	
2	09 April	ECQ PERIOD			
3	09 May	Php 10,000.00	Php 600.00	Php 11,200.00	
			Php 600.00 *interest incurred during ECQ: 09 April to 09 May 2020		
4	09 June	Php 0.00	Php 300.00	Php 10,300.00	



**Scenario 4: Interest accrued during ECQ period to be paid on a staggered basis over the remaining term of the loan (installment loan)**

We consider the same set of facts as in Scenario 3, but in this case, the borrower opts to pay the accrued interest on a staggered basis over the remaining term of the loan, Borrower X will need to pay in the following manner:

	Amortization Schedule	Balance	Interest of 3% per month	Monthly Amortization
	09 February	Php 30,000.00		
1	09 March	Php 20,000.00	Php 900.00	Php 10,900.00
2	09 April	ECQ PERIOD		
3	09 May	Php 10,000.00	Php 600.00	Php 10,900.00
			Php 300.00 *interest incurred during ECQ: 09 April to 09 May 2020 (Php 600/2)	
4	09 June	Php 0.00	Php 300.00	Php 10,600.00
			Php 300.00	

**Scenario 5: Considering the extension of the ECQ Period, what would happen if after applying the mandatory grace period, the due date still falls within the ECQ Period?**

In this case, the new due date falling within the extended ECQ period shall further be extended by an additional period of thirty (30) days.

Example:

Borrower X took out a loan from an online lending application on 27 February 2020 amounting to Five Thousand Pesos (Php 5,000.00) with an interest rate of three percent (3%) per month. The said loan is payable in thirty days (30) days, or until 28 March 2020, which falls under the ECQ Period.

Following the IRR, Borrower X shall be given a 30-day grace period, or until 27 April 2020 to pay the loan, without incurring interest on interest, penalties, fees and other charges. However, 27 April 2020 falls within the extended ECQ Period. Thus, another 30-day grace period counted from 27 April 2020 shall be given. The due date is then moved to 27 May 2020.

In view of the foregoing, Borrower X will need to pay in the following manner:

Principal	Php 5,000.00
Interest 3% per month 27 February to 28 March 2020	Php 150.00
29 March to 27 April 2020	Php 150.00
28 April to 27 May 2020	Php 150.00
Total Amount Due	Php 5,450.00
assuming the interest is not deducted upon consummation of the loan	