

FAQ on Resolution 2.0 Framework

Introduction:

In order to support the individuals, small businesses and Micro, Small and Medium Enterprises (MSMEs) businesses, the Reserve Bank of India (“RBI”) issued circular on Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses and Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises where Banks and NBFCs are allowed to restructure accounts of the eligible customers in pursuance of the aforesaid notifications. In view of the same, we have prepared FAQs for resolving the queries of customers.

FAQs:

1) **The regulator has released guidelines with respect to restructuring under the ‘Resolution Framework 2.0’. What does restructuring mean?**

Restructuring is an act in which banks and financial institutions grant concessions to borrowers in times of economic difficulty. The measures may include change of payment period, change in EMI among others.

2) **Which customer segments are eligible for the resolution framework?**

Individuals & Small Business:

- Individuals who have availed of personal loans¹. Loan to own personnel / staff shall be excluded
- Individual borrowers who have availed loan for business purpose where all lending institutions have aggregate exposure of up to Rs. 50 Cr as on 31 March’21
- Small business, including wholesale and retail trade, excluding the ones classified as MSMEs as on 31st March 2021, with aggregate exposure of all lending institutions up to Rs. 50 Cr as on 31 March 21.
- Borrowers should be classified as Standard (all accounts of the Borrower) as on 31 March 21.

¹ **Personal loan would mean** the following:

- **Consumer credit** Auto loans (other than for commercial use)
- Personal loans secured by immovable property (other than for business/ commercial purpose)
- Personal loans to professionals (excluding loan for business purpose)
- Loans given for other consumption purposes (e.g. social ceremonies etc.)

MSMEs:

- Borrower should be classified as MSME as on 31 March 21 in terms of the Gazette Notification no. S.O. 2119 (E) dated June 26, 2020.
- Borrower should be GST registered as on the date of implementation. However, GST registration shall not be mandatory for the exempted borrowers. For GST registration threshold calculation, turnover as on 31st March 2021 shall be considered
- Aggregate exposure (fund and non-fund based) of banks and NBFCs as on 31 March 21 should not exceed Rs. 50 Cr.
- Account should be standard as on March 31, 2021;
- Borrowers account should not have been previously restructured in terms of MSME Restructuring 1.0 notification no. RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020, Restructuring Notification no. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020, circular no. RBI/2019-20/160.DOR.No.BP.BC. 34/21.04.048/2019-20 dated 11 February 2020 or circular no. RBI/2018-19/100 DBR.No.BP.BC.18/21.04.048/2018-19 dated 1 January 2019.

Any other specific criteria for restructuring of any account, as prescribed under the applicable RBI guidelines/ circulars, issued from time to time, such specific criteria shall be fulfilled before restructuring is implemented.

3) Which customer segment are not eligible for the resolution framework?

- Farm credit as listed in Paragraph 6.1 of RBI Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated Jul 07, 2016 (as updated).
- Loans to primary agricultural society etc.
- Exposures to financial service providers
- Exposure to Central or State Governments, Local Government bodies and body corporates established by an Act of Parliament or State Legislature
- Borrowers who have been restructured under Resolution Framework 1.0 i.e. Notification no. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 will be eligible for restructure under Resolution Framework 2.0, only for the residual period of moratorium remaining after availing moratorium under Resolution Framework 1.0 out of the total period of 2 years.

4) What is the last date for implementation of approved restructuring plan?

The restructuring plan will be implemented within 90 days from the date of invocation.

5) What is the benefit offered under the resolution framework?

- The resolution plans may include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, granting of moratorium etc., based on assessment of income stream of the borrower, granting of additional credit facilities.
- Moratorium period, and/or extension of the residual tenor of the loan facilities may be for a maximum of two years and shall come into force immediately upon implementation of the resolution plan.
- Any other measures or modification in the existing terms of the loan, as the Company may deem appropriate, considering the financial situation of the Borrower and the feasibility of Restructuring.

6) Will the Company send any communication intimating the acceptance/rejection of the application for restructuring of the borrowers?

The Company will inform the borrower about confirmation/rejection through SMS/e-mail within 30 days from the date of application.

7) I had applied for restructuring facility under Resolution Framework 1.0. However, it was rejected by the Bank. Can I re-apply under Resolution Framework 2.0?

Yes, you can apply for restructuring facility under Resolution Framework 2.0.

8) Will restructuring have any impact in CIBIL reporting?

The credit bureau status of the restructured credit facilities availed by the borrower will be updated as “restructured due to COVID-19”.

9) I have availed Moratorium last year. Will I also get the benefit under this framework?

Yes, Borrowers who have availed Moratorium last year can also opt for resolution framework as per eligibility criteria.

10) What is the maximum period for which I can avail restructuring of my loan?

Proposed tenure extension to be of maximum 24 months from the existing contract tenure. This total extension of tenure will be inclusive of the tenure already availed of at the time of Resolution Framework 1.0. Restructuring terms will be decided case to case basis.

11) Can I avail Moratorium instead of restructuring?

Moratorium can be provided for principal outstanding however this will also be part of loan restructuring. Maximum tenure of moratorium, including moratorium granted, if any, during the last restructuring, should not exceed 2 years.

12) Will customers who have filed legal case against the company also be eligible for the scheme?

No, customers who have filed legal case against the company will not be eligible.

13) I have availed a car loan with Magma. However currently asset is with third party. Can I avail the resolution framework?

No, asset should not be with the third party for availing the benefits of the relief scheme.

14) How can I place the request for availing the benefit?

You may place request by any of following ways/modes:

(a) You may place your request through our call centres at 1800 266 3202 or

(b) Write to us at customercare@magmafc.co.in

(c) Reach out to Magma representative who is touch with you for EMI payments.

15) Do I need to submit any document for restructuring?

Yes, there will be few documentation that you need to submit including agreement addendum for availing restructuring. Our representative will guide you on the details.

16) Will my loan get restructured once I provide the required documents?

Credit assessment will be done & restructuring decision will be approved subject to due diligence clearance.

17) Will my existing loan get closed post restructuring?

No, your existing loan will not be closed post restructuring. Restructuring will be done in the existing account

18) My existing loan is covered under CGTMSE scheme. What will happen in that case?

SME and LAP Products

All restructured contracts except for CGTMSE covered contracts will be booked only after closure of the parent loan so that only one contract is live at any point of time against a particular asset; The re-structured contract will be tagged appropriately in Magma's system to facilitate identification of such contracts in the portfolio.

ABF Products

Fresh terms of the rehabilitated contract will be updated in the system. The re-structured contract will be tagged appropriately in Magma's system to facilitate identification of such contracts in the portfolio. The loans covered under the CGTMSE will be not be closed in the system and shall be re-structured for the outstanding and overdue principal portions only and appropriately tagged in the system to identify such contracts.

19) What will be the loan amount of restructured loan?

SME and LAP Products

Proposed Loan Amount will cover the principal outstanding, overdue EMI and/or unrecovered charges, if not already cleared, as may be decided by Magma.

Proposed Loan Amount in case of CGS covered SME Business loan will cover the outstanding (including overdue principal amount). No interest component, other charges etc. to be added to the principal o/s to arrive at restructured amount under CGTMSE guaranteed accounts.

ABF Products

Proposed Loan Amount will cover the principal outstanding, overdue EMI and/or unrecovered charges, if not already cleared, as may be negotiated with the customer. Proposed loan amount for contracts covered under CGTMSE scheme will cover the outstanding and overdue principal amount only. No interest component and other accrued charges, if any shall be added to the principal to arrive at the restructured loan amount under CGTMSE guaranteed contracts.

20) Will my interest rate also get reduced or increased under restructuring?

There shall not be any reduction in the interest rate. Yes, there may be an increase in the rate of interest depending on the Pricing Grid for restructured loans.