

**Frequently Asked Questions (FAQ)
on the Implementation of
Section 4(uu) of RA 11494 or the “Bayanihan to Recover As One Act”**

1. Which types of financial institutions are covered by Section 4(uu) of the “Bayanihan to Recover As One Act” (BARO Act)?

- For purposes of BSP implementation of Section 4(uu) of the BARO Act, it shall cover all BSP-Supervised Financial Institutions (BSFIs) with lending operations. These shall 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 the BSP.

2. How will the mandatory one-time 60-day grace period under Section 4(uu) of the BARO Act be applied?

- BSFIs shall implement a non-extendible, mandatory one-time 60-day grace period for all existing, current, and outstanding loans with principal and/or interest, including amortizations, falling due from the effectivity of the BARO Act or from 15 September 2020 until 31 December 2020 without incurring interest on interests, penalties, fees, or other charges. The parties are, however, not precluded from mutually agreeing to a grace period longer than 60 days.

Section 4(uu) of the BARO Act shall not apply to interbank loans and borrowings.

3. When will the 60-day grace period commence?

- The 60-day grace period shall commence from the payment due date of loans with principal and/or interest, including amortizations, falling due from the effectivity of the BARO Act or from 15 September 2020 until 31 December 2020.

For example, the due date of a loan with monthly amortization falling due on 20 September shall be moved to 19 November. Following this example, if the last payment due date of said loan before the application of the mandatory grace period is on 20 September 2024, said last payment due date shall be moved to 19 November 2024.

The application of the mandatory 60-day grace period under the Act effectively moves the payment due dates of the entire loan.

4. When will the borrower pay the principal and interest falling due from 15 September 2020 until 31 December 2020?

- The principal and accrued interest falling due from the effectivity of the Act until 31 December 2020 may be paid by the borrower in full after the application of the 60-day grace period. The borrower may also pay on a staggered basis until 31

December 2020. Likewise, the parties may agree to pay the principal and interest on staggered basis beyond 31 December 2020. For this purpose, accrued interest shall refer to interest that is due on the outstanding principal obligation but has not been paid yet by the borrower since the last loan payment made.

5. Can the borrower opt to apply the 60-day mandatory grace period to any of his amortizations falling due on or before 31 December 2020?
 - Yes. Borrowers may opt to apply the mandatory one-time grace period to any of his amortizations falling due on or before 31 December 2020.
6. Can the borrower opt not to apply the 60-day mandatory grace period to any of his amortizations falling due on or before 31 December 2020?
 - Yes. Borrowers may choose not to avail of the mandatory grace period and pay their obligations as they fall due should they so desire.
7. Will amortizations be rescheduled in line with the 60-day grace period? Do BSFIs need to issue new Promissory Notes (PN)/Disclosure statements (DS) for the new amortization schedule?
 - Yes. The amortizations for the payments falling due from 15 September 2020 will be rescheduled. The application of the mandatory 60-day grace period under the BARO Act effectively moves the payment due dates of the entire loan. The BSFI shall document the movement of the payment due dates as it deems proper.
8. Does Section 4(uu) of the BARO Act apply to loans extended by BSFIs abroad to Filipino residents?
 - No. Section 4(uu) of the BARO Act applies only to loans extended by BSFIs established in the Philippines.
9. Will Section 4(uu) of the BARO Act cover loans of borrowers who have been previously required by lending institutions to execute a waiver of their right to avail of the benefits of the grace period granted under Section 4(uu) of the BARO Act prior to the effectivity of said Act?
 - Yes, the loans will still be covered by the mandatory grace period under the BARO Act notwithstanding the execution by the borrower of a waiver prior to the issuance of Section 4(uu) of the said Act. Any waiver previously executed by borrowers covering loan payments falling due on or before 31 December 2020 shall be considered void. Nonetheless, borrowers may still choose to pay their obligations as they fall due on or before 31 December 2020.
10. Does Section 4(uu) of the BARO Act apply to all loan accounts whether current or past due?

- No. Section 4(uu) of the BARO Act only covers loan accounts that are existing, current and outstanding as of 15 September 2020. Past due accounts are not covered under Section 4(uu) of the said Act. For this purpose, "existing" loans shall refer to loans granted, or transactions (e.g., purchases, cash advances, balance transfers) made using credit cards, prior to 15 September 2020.
11. If one of the loans of a borrower with multiple loans is past due, will Section 4(uu) of the BARO Act still apply to the other loans of said borrower?
- Yes. Section 4(uu) of the BARO Act shall apply to the existing, current and outstanding loans of the said borrower as of 15 September 2020. The past due account will not be covered by the mandatory grace period.
12. Does Section 4(uu) of the BARO Act apply to loan accounts that benefitted from the mandatory grace period under Republic Act No. 11469 or the "Bayanihan to Heal As One Act" (Bayanihan I)?
- Yes, if the loan accounts that benefitted from the mandatory grace period under Bayanihan I are existing, current, and outstanding as of 15 September 2020. Section 4(uu) of the BARO Act shall be treated independent of the Bayanihan I provisions.
13. Does Section 4(uu) of the BARO Act apply to restructured loans?
- Loan accounts that were restructured before 15 September 2020 shall be covered by Section 4(uu) of the BARO Act if such accounts are considered as current and performing as of 15 September 2020.
14. If a BSFI granted an account that is classified as current before 15 September 2020 with grace period extending beyond said date, will the payments falling due on or before 31 December 2020 of said account still be covered by the mandatory grace period under Section 4(uu) of the BARO Act.
- Yes. Loans classified as current before 15 September 2020 with grace period that extends beyond said date shall be covered by Section 4(uu) of the BARO Act.
15. If the BSFI granted the borrower a grace period prior to 15 September 2020, will this be considered as compliance with the mandatory grace period provided under the BARO Act?
- No. The mandatory one-time 60-day grace period under Section 4(uu) of the BARO Act will only reckon from the time the loan with principal and/or interest, including amortization, payment falls due from 15 September 2020 until 31 December 2020.
16. Does the mandatory grace period provided under Section 4(uu) of the BARO Act apply to letters of credits, bills purchase, guarantees and other contingent facilities that were funded by the covered financial institution?

- Yes, the mandatory grace period shall apply to payments for said facilities that will fall due from 15 September 2020 until 31 December 2020.
17. Does Section 4(uu) of the BARO Act apply to employees' benefit loans extended by financial institutions to their own workforce (e.g. appliance loan, emergency loan, provident fund loan)?
- Yes. Section 4(uu) of the BARO Act covers all types of loans that are existing, current and outstanding as of 15 September 2020.
18. How will the grace period be applied to DOSRI transactions under Section 342 of the Manual of Regulations for Banks?
- The mandatory grace period shall apply to DOSRI transactions with payments falling due from 15 September until 31 December 2020. No penalty/sanction shall be imposed on such DOSRI transactions when payment is made on the new due date following the application of the mandatory grace period.
19. Are loan accounts covered by post-dated checks, auto debit or auto deduct arrangements with lending BSFIs covered by Section 4(uu) of the BARO Act?
- Yes. Section 4(uu) of the BARO Act covers loan accounts with issued post-dated checks and those with auto debit or auto deduct arrangements. In this case, for loan accounts with issued post-dated checks, and those with auto debit or auto deduct arrangements, the BSFIs shall communicate with their clients and secure their consent to proceed with the transaction or arrangement. BSFIs shall give their clients ample time to respond to the request for consent with a disclosure that they will proceed with the transaction or arrangement if no feedback is received within the given period. This shall, however, not preclude the borrower from applying the mandatory one-time grace period to succeeding payments falling due on or before 31 December 2020.
20. What will the BSFIs do if payments were received beginning 15 September 2020 but they have not yet notified their clients nor adjusted their systems for the implementation of the mandatory grace period under Section 4(uu) of the BARO Act?
- BSFIs shall communicate with their clients and secure their consent to apply the mandatory one-time grace period on the next installment due date. BSFIs shall give their clients ample time to respond to the request for consent with a disclosure that they will proceed with the proposed arrangement if no feedback has been received within the given period. In cases where the borrowers would signify the implementation of the mandatory one-time grace period for the payment received by the BSFI, the BSFI shall return the payment received to the borrower without charging interest on interest, penalties, fees and charges.

21. Are fees/charges related to loans extended or credit lines granted (e.g. credit card renewal fees) scheduled to be paid on or before 31 December 2020 covered by the mandatory grace period under Section 4(uu) of the BARO Act?
- Yes. Fees and charges related to loans extended or credit lines granted are covered by the mandatory grace period under Section 4(uu) of the BARO Act.
22. Are BSFIs required to include in their letters of request for regulatory relief the application of the grace period even if this is already mandated under the BARO Act?
- No. Banks are not required to request for application of the mandatory one-time 60-day grace period under the Act.
23. What interest rate should financial institutions apply in computing for interest accruing during the mandatory grace period?
- Covered financial institutions should use the interest rate stipulated in the loan agreement.
24. How will Section 4(uu) of the BARO Act provisions apply to loans other than those amortized monthly (i.e. quarterly, semestral)?
- The mandatory one-time 60-day grace period will apply to all loans regardless of payment terms, as long as the due date falls on or before 31 December 2020. BSFIs will add 60 days to the due date falling from 15 September 2020 until 31 December 2020 to determine the new due date.
25. Will the accounts applying the mandatory one-time 60-day grace period be included in the past due loan (PDL) ratio computation and do BSFIs need to apply for exclusion of the accounts as PDL?
- No. The accounts applying the mandatory one-time 60-day grace period will not be included in the PDL ratio computation. Likewise, BSFIs no longer need to apply for exclusion of the accounts in the computation of the PDL ratio.
26. Do borrowers need to apply or request for approval from BSFIs for the application of the mandatory one-time 60-day grace period?
- No. The mandatory one-time 60-day grace period will automatically be applied by all BSFIs.
27. How will the 60-day grace period be applied for credit card transactions?
- Credit card transactions made, including fees/charges incurred, prior to 15 September 2020 shall be covered by Section 4(uu) of the BARO Act. Any unpaid balance of such transactions and fees/charges shall not incur interest or finance charges during the mandatory grace period. After the end of the applicable grace

period, the said unpaid balance shall incur interest or finance charges if not paid in full on new due date.

Meanwhile, credit card transactions made on and after 15 September 2020 shall no longer be covered by Section 4(uu) of the said Act and shall continue to incur interest or finance charges if not fully paid on or before its original due date.

28. For credit card transactors, will interest accrue on the outstanding balance during the 60-day grace period?

- Credit card transactors will not be charged any interest during the 60-day grace period if they pay the total outstanding balance on or before the new due date.

29. In case a cardholder has no outstanding balance as of 15 September 2020, are transactions made after the said date covered by Section 4(uu) of the BARO Act?

- No. Credit card transactions made on and after 15 September 2020 are not covered by the provisions of Section 4(uu) of the BARO Act.