



Republic of the Philippines
DEPARTMENT OF FINANCE

Roxas Boulevard Corner Pablo Ocampo, Sr. Street
Manila 1004

Department Circular No. 005 . 2020

SUBJECT : Implementation of the one-time sixty (60)-day grace period for all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020

1.0 RATIONALE. To reduce the adverse impact of coronavirus disease 2019 (COVID-19) on the socio-economic well-being of Filipinos, and to promote and protect the collective interests of all Filipinos in these challenging times, it is imperative to, among other things, grant a one-time sixty (60)-day grace period for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans.

2.0 LEGAL BASIS

- 2.1 Section 4(uu) of Republic Act (RA) No. 11494 dated September 15, 2020, known as the "Bayanihan to Recover as One Act", which took effect last 15 September 2020.
- 2.2 Memorandum from the Executive Secretary dated 23 October 2020 which authorizes the Secretary of Finance to implement the one-time sixty (60)-day grace for loans falling due on or before 31 December 2020 period under and to issue rules and regulations for the implementation thereof.
- 2.3 Implementing Guidelines of RA No. 11494 adopted in the Memorandum from the Executive Secretary dated 23 October 2020.

3.0 DEFINITION OF TERMS.

- 3.1 "Covered institutions" shall mean banks, quasi-banks, financing companies, lending companies, real estate developers, insurance companies providing life insurance policies, pre-need companies, entities providing in-house financing for goods and properties purchased, asset and liabilities management companies and other credit-granting financial institutions under the supervision of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Cooperative Development Authority (CDA), and



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Insurance Commission (IC), public and private, including the Government Service Insurance System (GSIS), the Social Security System (SSS), and Home Development Mutual Fund (Pag-IBIG Fund).

- 3.2 "Amortization" means a scheduled periodic payment that is applied to both loan principal and interest.
- 3.3 "Due date" means the date on which the payment of principal and/or interest, including amortization, falls due.
- 3.4 "Maturity" means the date of final payment of principal and/or interest of a loan, after which the loan is considered fully paid.

4.0 COVERAGE.

- 4.1 All covered institutions shall implement a non-extendible mandatory one-time sixty (60)-day grace period for all loans:
 - 4.1.1 With principal and/or interest, including amortizations, falling due from the effectivity of the Bayanihan to Recover as One Act on September 15, 2020 until December 31, 2020; and
 - 4.1.2 Which are existing, current, and outstanding upon the effectivity of the Bayanihan to Recover as One Act on September 15, 2020. For this purpose, "existing, current, and outstanding" loans shall refer to the following:
 - Those that are granted, or transactions made, in the case of credit cards, before September 15, 2020; and
 - Those that are in current status and are not considered as past due by the concerned covered institution by September 15, 2020.
- 4.2 Loans shall include, but is not limited to, salary, personal, housing, commercial, and motor vehicle loans, amortizations, financial lease payments and premium payments, credit card payments, and other loans extended by covered institutions to individuals, households, MSMEs, corporate borrowers, and other counterparties.
- 4.3 The mandatory one-time 60-day grace period shall likewise apply to multiple loans of individuals and entities, with principal and/or interest, including amortizations, falling due on or before December 31, 2020. The grace period shall apply to each loan.
- 4.4 Section 4(uu) of the Bayanihan to Recover as One shall not apply to interbank loans and bank borrowings.

5.0 GUIDELINES.

- 5.1 All covered institutions are mandated to grant a one-time non-extendible one-time sixty (60)-day grace period for all qualified loans.



However, the parties are not precluded from mutually agreeing to a grace period longer than 60 days.

- 5.2 The implementation of the 60-day grace period will effectively extend the maturity of the loans covered under Section 4.0 above.
- 5.3 The grant of grace period by covered institutions shall not preclude the borrowers from choosing not to avail of the grace period and paying their obligations as they fall due.
- 5.4 Loan accounts with issued post-dated checks, and those with auto debit/charge or auto deduct arrangements, the covered institutions shall coordinate with their clients and secure the clients consent to proceed with the transaction or arrangement.
- 5.5 During the mandatory grace period, covered institutions shall not impose interest on interest, penalties, fees, or other charges representing charges against the borrower for late payment or non-payment on due date. The interest chargeable per installment period, which is based on the outstanding balance of the loan, shall continue to accrue during the mandatory one-time 60-day grace period and shall be payable on the new date after the application of the grace period.
- 5.6 The principal and accrued interest shall be payable on the new due date after the grace period. Provided that, if the new due date falls before the December 31, 2020, principal and accrued interest may be settled on a staggered basis without interest on interests, penalties, fees, or other charges until December 31, 2020, or as may be agreed upon by the parties.
- 5.7 The loan term extension and restructuring pursuant to Section 4(uu) of Bayanihan to Recover as One shall be exempt from the payment of documentary stamp tax.

6.0 IMPLEMENTATION. The implementation of the grace period under this Circular shall be without prejudice to the issuance of a more specific rules issued by the concerned regulators with respect to the covered institutions under their supervision and the determination of the possible regulatory relief that may be granted to banks and other non-bank financial institutions that agree to further loan term extension or restructuring. Provided, that, such rules shall be consistent with Section 4(uu) of the Bayanihan to Recover as One Act, and this Circular.


7.0 APPLICABILITY. This Circular shall be in full force and effect for the duration of the effectivity of R.A. No. 11494,



8.0 SEPARABILITY. Should any provision herein be declared unconstitutional or contrary to law, the same shall not affect the validity of the other provisions of this Circular.

9.0 REPEALING CLAUSE. All rules, regulations, orders, and/or circular previously issued by the DOF that are contrary to or inconsistent herewith are repealed accordingly.

10.0 EFFECTIVITY. This Circular shall take effect immediately upon publication.


CARLOS G. DOMINGUEZ
Secretary *CD*
DEC 04 2020 