

# Frequently Asked Questions (FAQs)

## On the Implementation of Republic Act No. 11494, otherwise known as the Bayanihan to Recover As One Act, and Other Prevailing Rules During the COVID-19 Pandemic

1. **What is the latest rule regarding the mandatory grace period of loans, as provided in Section 4 (uu) of the Bayanihan to Recover As One Act (BARO Act)?**

All covered institutions shall implement a non-extendible, one-time 60-day grace period for all existing, current, and outstanding loans with principal and/or interest, including amortizations, falling due on or before 31 December 2020, without incurring any interest on interests, penalties, fees and other charges, thereby extending the maturity of the said loans.

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

2. **As far as the SEC is concerned, which institutions are covered by Section 4(uu) of the BARO Act?**

For the SEC, financing companies and lending companies with Certificates of Authority under the Financing Company Act and Lending Company Regulation Act of 2007, respectively, as well as microfinance NGOs, whether accredited under the Microfinance NGOs Act or not, are covered by Section 4(uu) of the BARO Act.

3. **What types of loans are covered by the application of the 60-day mandatory grace period?**

The 60-day mandatory grace period covers loans such as, but not limited to, salary, personal, housing, commercial, and motor vehicle loans, amortizations, financial lease payments and premium payments, as well as credit card payments. It also covers loans obtained through online lending applications or platforms owned and operated by financing companies and lending companies.

4. **How will SEC-covered institutions apply the 60-day mandatory grace period under Section 4(uu) of the BARO Act?**

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

For examples or illustrations, please refer to the different scenarios below.

5. **Do borrowers need to request for the approval of their application of the mandatory grace period under Section 4 (uu) of the BARO Act?**

No, the one-time 60-day mandatory grace period shall be automatically applied by SEC-covered institutions.

**6. How and when will the borrower pay the principal and interest falling due from 15 September 2020 until 31 December 2020?**

The principal and accrued interest for the 60-day grace period may be paid by the borrower in the following manner:

- a. on a *staggered basis* until 31 December 2020;
- b. *as may be agreed upon* by the parties (e.g. parties may agree to pay the principal and interest on a staggered basis beyond 31 December 2020); or
- c. *in full* on the new due date after the application of the 60-day grace period.

Accrued interest for this purpose shall refer to the interest that is due on the outstanding principal obligation but not yet paid since the last loan payment made. **Take note that the 60-day mandatory grace period is essentially a deferment, which means that interest rates would continue to accrue during this time on the outstanding principal.**

**7. Does the 60-day mandatory grace period apply to both current and past due loan accounts?**

**No, Section 4(uu) of the BARO Act only covers accounts that are existing and outstanding upon the effectivity of the law. Only loans in current status and not past due** are covered by the provision.

For this purpose, “existing” loans shall refer to loans granted prior to the effectivity of the Act, which was on 15 September 2020.

**8. When will the 60-day grace period requirement commence?**

The 60-day grace period is required to commence from the due date of payment falling due from the effectivity date of the BARO Act on 15 September 2020 until 31 December 2020.

**9. Does the borrower have the option to apply the 60-day mandatory grace period to any of his amortizations falling due from 15 September 2020 to 31 December 2020?**

Yes, a borrower may opt to apply the one-time mandatory grace period to any of his amortizations falling due from 15 September 2020 to 31 December 2020.

**10. Does the borrower have the option not to apply the 60-day mandatory grace period to any of his amortizations falling due from 15 September 2020 to 31 December 2020?**

Yes, a borrower also has the option not to avail the 60-day mandatory grace period. Accordingly, they may pay their obligations as they fall due.

**11. Does the mandatory grace period apply to restructured loans?**

Yes, loan accounts restructured before 15 September 2020 shall be covered by the mandatory grace period if such accounts are considered as current and performing as of 15 September 2020.

**12. If an SEC-covered institution granted a loan 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 Sec. 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 the mandatory grace period under Sec. 4 (uu) of the BARO Act.

**13. If the SEC-covered institution granted a borrower a grace period prior to 15 September 2020, will this be considered as compliance with the mandatory grace period under Sec. 4 (uu) of the BARO Act?**

No, the mandatory grace period under Sec. 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.

**14. Considering the application of the 60-day mandatory grace period, will amortizations be rescheduled? Do SEC-covered institutions need to issue new promissory notes or disclosure statements for the new amortization schedule?**

Yes, the amortizations will be effectively rescheduled in accordance with the implemented 60-day grace period.

Please refer to Scenario Nos. 4, 5, and 6 for illustrations or computations.

There is no need to issue new promissory notes or disclosure statements for the new amortization schedule. However, the SEC-covered institution shall document the movement of the payment due dates as it deems necessary.

**15. What interest rate should SEC-covered institutions apply in computing for interest accruing during the 60-day grace period?**

All SEC-covered financial institutions shall use the interest rate stipulated in their respective loan agreements.

**16. Are loans extended by financial institutions abroad to Filipino residents covered by the 60-day grace period?**

No, the 60-day grace period only covers loans extended by financial institutions established in the Philippines.

**17. What will happen to borrowers who have previously executed (prior to the effectivity of the BARO Act) a waiver of their right to avail of the moratorium under Section 4(uu) of the BARO Act?**

The loans of the subject borrowers will still be covered by the one-time 60-day grace period under the law, notwithstanding the execution of a waiver prior to the issuance or effectivity of Section 4 (uu) of the BARO Act. No waiver previously executed by such borrowers covering payments falling due from 15 September 2020 until 31 December 2020 shall be valid.

Financing companies, lending companies and microfinance NGOs under the regulatory jurisdiction of the SEC are likewise prohibited from requiring their clients to waive the application of the provisions of the BARO Act.

Nevertheless, borrowers may still choose to pay their obligations as they fall due from the effectivity of the BARO Act until 31 December 2020.

**18. Does the mandatory grace period apply to multiple loans of individuals and entities?**

Yes, the mandatory grace period shall apply to multiple loans of individuals and entities, with principal and/or interest, including amortizations, falling due from 15 September 2020 to 31 December 2020.

The mandatory grace period shall apply to each loan.

**19. In case one of the loans of a borrower with multiple loans is past due, will the 60-day grace period apply to the other loans of the same borrower?**

Yes, the 60-day grace period shall apply to the other loans of the borrower as long as they are existing, current and outstanding as of 15 September 2020. Only the past due account will not be covered by the 60-day grace period.

**20. Does the 60-day grace period apply to letters of credit, bills purchase, guarantees and other contingent facilities funded by all covered financial institutions?**

Yes, the mandatory grace period shall apply to payments for said facilities which will fall due from 15 September 2020 until 31 December 2020.

**21. Does the 60-day grace period apply to other types of loans extended by all covered financial institutions to their own employees, such as employees' benefit loans, appliance loans, emergency loans, and provident fund loans?**

Yes, the mandatory grace period shall apply to all types of loans existing and outstanding upon the effectivity of the BARO Act.

**22. Does the 60-day grace period apply to loan accounts covered by post-dated checks, auto debit or auto deduct arrangements with all covered financial institutions?**

Yes, the mandatory grace period shall apply to loan accounts with issued post-dated checks and those with auto debit or auto deduct arrangements. In this case, all covered financial institutions shall coordinate with their respective clients and secure their consent to proceed with the transaction or arrangement.

SEC-covered institutions should give their borrowers 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.

However, this shall not preclude the borrower from applying the mandatory grace period to succeeding payments falling due on or before 31 December 2020.

**23. What should SEC-covered institutions do if they have received payments beginning 15 September 2020 and have not yet notified their borrowers nor adjusted their systems for the implementation of Section 4 (uu) of the Baro Act?**

SEC-covered institutions shall communicate with their borrowers and secure their consent to apply the mandatory grace period on the next installment due date. SEC-covered institutions shall give their borrowers 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 borrower signified his/her intention to implement the mandatory grace period for the payment received by the SEC-covered institution, the latter shall return the payment received to the borrower without charging interest on interest, penalties, fees and charges.

**24. Does the 60-day grace period apply to loans other than those amortized monthly, i.e. quarterly, semestrally, annually, etc.?**

Yes, the mandatory grace period shall apply to all loans regardless of their amortization schedule, so long as the due date falls from 15 September 2020 until 31 December 2020.

**25. Are fees and charges related to loans extended or credit lines granted, such as credit card renewal fees, scheduled to be paid on or before 31 December 2020 covered by the mandatory one-time 60-day grace period?**

Yes, fees and charges related to loans extended or credit lines granted are covered by the mandatory one-time 60-day grace period.

**26. How will the new due date under the BARO Act be determined?**

The new due date will be determined by adding 60 days to the due date falling from 15 September 2020 until 31 December 2020.

Please refer to Scenario No. 1 for the illustration or computation.

**27. How will the mandatory grace period be applied to credit card transactions?**

Credit card transactions made, including fees/charges incurred, prior to 15 September 2020 shall be covered by the mandatory grace period. 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 the new due date.

As for credit card transactions made on and after 15 September 2020, this will no longer be covered by the mandatory grace period 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 on their outstanding balances continue to accrue during the 60-day grace period?**

No, credit card transactors will not be charged any interest during the mandatory grace period, provided 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 the 60-day mandatory grace period?**

No, credit card transactions made on and after 15 September 2020 are not covered by the 60-day mandatory grace period.

**30. 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 60-day mandatory grace period?**

Yes, fees and charges related to loans extended or credit lines granted are covered by the said provision.

**31. Will the mandatory grace period under Sec. 4 (uu) of the BARO Act apply to loan accounts that benefited from the mandatory grace period under Sec. 4 (aa) of the Bayanihan to Heal As One Act?**

Yes, the one-time 60-day grace period as provided under Sec. 4 (uu) of the BARO Act shall apply to loan accounts that were previously granted the mandatory grace period under Sec. 4 (aa) of

the Bayanihan to Heal As One Act, as long as such loan accounts are existing, current, and outstanding as of 15 September 2020.

The mandatory grace period under Sec. 4 (uu) of the BARO Act shall be considered as independent from the mandatory grace period under Sec. 4 (aa) of the Bayanihan to Heal As One Act.

**32. What are the differences between Sec. 4 (uu) of the BARO Act and Sec. 4 (aa) of the Bayanihan to Heal As One Act?**

	<b>Mandatory Grace Period under Sec. 4 (aa) of the Bayanihan to Heal As One Act</b>	<b>Mandatory Grace Period under Sec. 4 (uu) of the BARO Act</b>
<b>Mandatory grace period</b>	a mandatory 30-day grace period subject to an automatic extension if the ECQ period is extended by the President of the Republic of the Philippines	a <b>mandatory one-time 60-day grace period</b>
<b>Covered period</b>	within the ECQ period or from 17 March 2020 until 31 May 2020	<b>from the effectivity of the BARO Act, 15 September 2020, until 31 December 2020</b>
<b>Covered loan accounts</b>	all loans with principal and/or interest, including amortizations, falling due on any date within the ECQ period  past due accounts prior to the ECQ period are covered	all <b>existing, current and outstanding loans</b> with principal and/or interest, including amortizations, falling due from 15 September 2020 until 31 December 2020  <b>past due accounts are not covered</b>

**33. Are electronic communications/SMS accepted as means of advising/informing customers regarding the implementation of the mandatory grace period?**

Yes, electronic modes of communication, such as, but not limited to SMS, email, and mobile application messaging, are accepted as means of advising/informing borrowers with regard to the implementation of the mandatory grace period. Recorded telephone conversations, with the consent of the borrower, are likewise acceptable.

**34. To prevent future/potential disputes, can SEC-covered institutions secure at least an acknowledgement or a form of documentation from borrowers availing the 60-day moratorium that such application was made on their loan?**

Yes, SEC-covered institutions are encouraged to document borrowers who are availing the 60-day grace period.

## Sample Computation of the Principal and Accrued Interest

### Under Different Scenarios

#### Scenario 1: Principal and interest fall due during the effectivity date of the BARO Act or from 15 September 2020 until 31 December 2020

Borrower X took out a loan from an online lending application on 01 September 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 01 October 2020, which falls due during the effectivity date of the BARO Act or from 15 September 2020 until 31 December 2020.

Following Section 4 (uu) of the BARO Act, Borrower X shall be given a 60-day grace period, or until 30 November 2020 to pay the loan, without incurring interest on interest, penalties, fees, and other charges.

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

If Borrower X pays on 30 November 2020:

Principal	Php 5,000.00
Interest 3% per month 01 September to 01 October 2020 02 October to 31 October 2020 01 November to 30 November 2020	Php 150.00 Php 150.00 Php 150.00
Total Amount Due	Php 5,450.00
assuming that interest and other fees are not deducted upon consummation of the loan	

If Borrower X chooses to pay on 31 October 2020:

Principal	Php 5,000.00
Interest 3% per month 01 September to 01 October 2020 02 October to 31 October 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	

The borrower however is not precluded from availing of the remaining 30-day grace period should he fail to pay after the first 30-day grace period in the above scenario.

**Scenario 2: Multiple Loans: Principal and interest fall due during the effectivity date of the BARO Act or from 15 September 2020 until 31 December 2020**

Borrower X took out a loan from an online lending application on 01 September 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 01 October 2020 (the "First Loan"). On 16 September 2020, Borrower X obtained a loan from an online lending application, payable within thirty (30) days, or until 16 October 2020 (the "Second Loan").

Following the Section 4 (uu) of the BARO Act, the First Loan, which falls due during the effectivity date of the BARO Act or from 15 September 2020 until 31 December 2020, shall be given a 60-day grace period, or until 30 November 2020 to pay the loan, without incurring interest on interests, penalties, fees and other charges. However, since the Second Loan is not existing prior to the effectivity of the Act or before 15 September 2020, the 60-day grace period will not apply thereto.

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



First Loan: If Borrower X pays on 30 November 2020:

Principal	Php 5,000.00
Interest 3% per month 01 September to 01 October 2020 02 October to 31 October 2020 01 November to 30 November 2020	Php 150.00 Php 150.00 Php 150.00
Total Amount Due	Php 5,450.00
assuming that interest and other fees are not deducted upon consummation of the loan	

Second Loan: If Borrower X pays on 16 October 2020:

Principal	Php 5,000.00
Interest 3% per month	Php 150.00
Total Amount Due	Php 5,150.00
assuming that interest and other fees are not deducted upon consummation of the loan	

**Scenario 3: Principal and interest fall due prior to the effectivity date of the BARO Act, or 15 September 2020, until 31 December 2020**

Borrower X took out a loan from an online lending application on 15 August 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 until 14 September 2020. Borrower X, however, defaulted and, thus, incurred interest and a late charge prior to the effectivity date of the BARO Act or from 15 September 2020 until 31 December 2020.

The 60-day grace period shall not apply in this case. Section 4(uu) of the BARO Act only covers accounts existing and outstanding upon the effectivity of the law. Only loans in current status and not past due are covered by the provision. Therefore, the loan will be due and demandable.

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

If Borrower X pays on 14 October 2020:

Principal	Php 5,000.00
Interest 3% per month 15 August to 14 September 2020 15 September to 14 October 2020	Php 150.00 Php 150.00
Late Charge of 1% per month	Php 50.00
Total Amount Due	Php 5,350.00
assuming that interest and other fees are not deducted upon consummation of the loan	

**Scenario 4: Interest accrued during the effectivity date of the BARO Act or from 15 September 2020 until 31 December 2020 to be paid in lump sum (installment loan)**

On 15 July 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 and a monthly amortization of Ten Thousand Pesos (Php 10,000.00). The monthly interest shall be computed based on the outstanding balance. The loan is payable in three (3) months, or until 15 October 2020.

Following Section 4 (uu) of the BARO Act, XYZ Lending Company shall give Borrower X a sixty (60)-day grace period for the loan. Thus, the loan will be due on 15 December 2020.

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

	Amortization Schedule	Monthly Amortization	Principal	Interest of 3% per month	Balance
	15 July				Php 30,000.00
1	15 August	Php 10,900.00	Php 10,000.00	Php 900.00	Php 20,000.00
2	15 September	MANDATORY GRACE PERIOD			
	15 October				
	15 November	Php 11,800.00	Php 10,000.00	Php 600.00	Php 10,000.00
				Php 1,200.00 *interest incurred during Mandatory Grace Period: 15 September to 15 November 2020	
3	15 December	Php 10,300.00	Php 10,000.00	Php 300.00	Php 0.00

**Scenario 5: Interest accrued during the effectivity date of the BARO Act or from 15 September 2020 until 31 December 2020 to be paid on a staggered basis until 31 December 2020 (installment loan)**

On 30 July 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 and a monthly amortization of Ten Thousand Pesos (Php 10,000.00). The monthly interest shall be computed based on the outstanding balance. The loan is payable in three (3) months, or until 31 October 2020.

Following Section 4 (uu) of the BARO Act, XYZ Lending Company shall give Borrower X a sixty (60)-day grace period for the loan. Thus, the loan will be due on 31 December 2020.

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

	Amortization Schedule	Monthly Amortization	Principal	Interest of 3% per month	Balance
	30 July				Php 30,000.00
1	30 August	Php 10,900.00	Php 10,000.00	Php 900.00	Php 20,000.00
2	30 September	MANDATORY GRACE PERIOD			
	30 October				
	30 November	Php 11,200.00	Php 10,000.00	Php 600.00	Php 10,000.00
				Php 600.00 *interest incurred during Mandatory Grace Period: 30 September to 30 November 2020 (Php 1,200.00/2)	
3	30 December	Php 10,900.00	Php 10,000.00	Php 300.00	Php 0.00
				Php 600.00	

**Scenario 6: Interest accrued during ECQ, Extended ECQ, MECQ and during the effectivity date of the BARO Act to be paid on staggered basis over the remaining term of the loan (installment loan)**

On 31 December 2019, Borrower X took out a loan from XYZ Lending Company amounting to One Hundred Twenty Thousand Pesos (Php 120,000.00) with an interest rate of three percent (3%) per month and a monthly amortization of Ten Thousand Pesos (Php 10,000.00). The monthly interest shall be computed based on the outstanding balance. The loan is payable in twelve (12) months, or until 31 December 2020.

Following Section 4 (uu) of the BARO Act, the loan will be due on 31 May 2021.

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

	Amortization Schedule	Monthly Amortization	Principal	Interest of 3% per month	Balance
	31 December 2019				Php 120,000.00
1	31 January 2020	Php 13,600.00	Php 10,000.00	Php 3,600.00	Php 110,000.00
2	29 February 2020	Php 13,300.00	Php 10,000.00	Php 3,300.00	Php 100,000.00
3	31 March 2020	ECQ PERIOD			
	30 April 2020				
	31 May 2020	ECQ PERIOD EXTENSION			
	30 June 2020	Php 13,600.00	Php 10,000.00	Php 3,000.00	Php 90,000.00
		Php 600.00 *interest incurred during ECQ: 31 March to 31 May 2020 (Php 6,000.00/10)			
4	31 July 2020	Php 13,300.00	Php 10,000.00	Php 2,700.00	Php 80,000.00
				Php 600.00	
5	31 August 2020	Php 13,000.00	Php 10,000.00	Php 2,400.00	Php 70,000.00
				Php 600.00	

6	30 September 2020	MANDATORY GRACE PERIOD			
	30 October 2020				
	30 November 2020	Php 13,300.00	Php 10,000.00	Php 2,100.00	Php 60,000.00
			Php 600.00		
				Php 600.00 *interest incurred during Mandatory Grace Period: 30 September to 30 November 2020 (Php 4,200.00/7)	
7	31 December 2020	Php 13,000.00	Php 10,000.00	Php 1,800.00	Php 50,000.00
				Php 600.00	
				Php 600.00	
8	31 January 2021	Php 12,700.00	Php 10,000.00	Php 1,500.00	Php 40,000.00
				Php 600.00	
				Php 600.00	
9	28 February 2021	Php 12,400.00	Php 10,000.00	Php 1,200.00	Php 30,000.00
				Php 600.00	
				Php 600.00	

10	31 March 2021	Php 12,100.00	Php 10,000.00	Php 900.00	Php 20,000.00
				Php 600.00	
				Php 600.00	
11	30 April 2021	Php 11,800.00	Php 10,000.00	Php 600.00	Php 10,000.00
				Php 600.00	
				Php 600.00	
12	31 May 2021	Php 11,500.00	Php 10,000.00	Php 300.00	Php 0.00
				Php 600.00	
				Php 600.00	