

BANK OF ISRAEL

Office of the Spokesperson and Economic Information

Press release

December 17, 2023

**The Bank of Israel expands the comprehensive assistance program adopted by the banks for dealing with the ramifications of the Swords of Iron war**

Bank of Israel Governor Prof. Amir Yaron said: “The Bank of Israel is focused on the public that is dealing with the economic difficulties resulting from the war, and today we are publishing an extension and an update to the original program in order to provide as much help as possible to population groups who have been harmed, and particularly to increase assistance to small businesses. The loan repayment deferral program was one of the first economic assistance measures taken with the outbreak of the war. It has succeeded in creating a cashflow bridge for hundreds of thousands of customers and businesses, and in helping them get through this difficult period. Today’s expansion of the program comes in view of the continuation of the war, and after continued staff work by the Banking Supervision Department, with an optimal understanding of the public’s needs. The expanded program joins a long series of policy measures adopted by the Bank of Israel for managing the economy since the outbreak of the war.”

Supervisor of Banks Daniel Hahiashvili said: “The program that we have formulated helps bank customers better deal with the financial impact of the war. The war and its effects remain with us, as does the need to continue making it easier for customers in the areas of credit and fees. In view of this, we are extending the broad assistance provided within the program, and we are expanding the group of eligible customers, while granting an additional benefit to small businesses in order to make it easier for them to deal with the cashflow difficulties in the near future. The expansion of the program is a direct continuation of the variety of assistance measures formulated by the Banking Supervision Department since the start of the war, and we intend to continue monitoring the data and the enquiries we receive from the field, and to act accordingly as necessary. I thank the banking system for its involvement in expanding the program, and for the comprehensive and diversified assistance provided by each bank on its own to its customers, beyond the uniform program.”

Background and data:

About a week after the outbreak of the Swords of Iron war, the Bank of Israel announced a [comprehensive program](https://www.boi.org.il/en/communication-and-publications/press-releases/c15-10-23/) to ease the burden of credit and fees, which was adopted by the banks, with the aim of helping customers in dealing with the ramifications of the war. Based on developments, and in view of the fact that residents of the north were also evacuated from their homes, [the program was expanded](https://www.boi.org.il/en/communication-and-publications/press-releases/a08-11-23/) to include residents of the north. The program enables people who have suffered direct damage from the war (hereinafter – first-degree customers[[1]](#footnote-1)) to defer loan and mortgage repayments without interest or fees, to obtain an exemption from most fees, and to obtain an exemption from interest on negative balances of up to NIS 10,000 in current accounts, for a period of three months from when they join the program.

Other customers (hereinafter – “second-degree customers”[[2]](#footnote-2)) were given the option to defer loan and mortgage repayments for three months, with no fees, with the deferred payments bearing interest that is not to exceed the interest rate in the loan contract. To be clear, before making a decision to defer payments, the customer should examine the implications of the deferral, including its total economic price (in terms of interest costs, the monthly repayment charge following the deferral, and so forth).

From the start of the war until the end of November 2023, payments on about 278,000 loans were deferred in the banking system, most of which were for mortgages and consumer credit. The total amount of payment deferred is about NIS 4.8 billion, mostly in the business sector.

Expansion of the program:

Following situation assessments by the Bank of Israel, and because the war is continuing and is having an economic impact on many customers, the Bank of Israel announces an expansion of the program, which has been adopted by the banks, as follows:

* **Extending the existing program by an additional three months, from January 1, 2024, for both population groups – first-degree and second-degree customers.**
  + In reference to loan repayment deferrals[[3]](#footnote-3) in three activity segments (mortgages, consumer credit, and business credit):
    - A customer who has not deferred payments based on the program, shall be eligible to defer payments for a period of three months, subject to submitting a request.
    - A customer who has already deferred payments in practice for a period of three months, shall be eligible to defer payments for an additional three months subject to submitting a request, such that the total maximum deferral period will be 6 months.
  + The rest of the benefits in the program will continue to apply automatically for an additional three months, similar to the original terms of the program, which are published on the [Bank of Israel website](https://www.boi.org.il/en/bank-of-israel/iron-swords/boi-outline-banks/).
* **Additional first-degree customers:**
  + The following are added to the group of first-degree customers:
    - Accounts of kidnapped and missing victims, which were included in the first version.
    - Accounts of siblings of kidnapped or missing victims.
    - Accounts of those who participated in the “Nova” festival in Re’im.
* **In reference to first-degree customers – exemption from interest on negative balances up to NIS 30,000 for accounts of businesses with up to NIS 5 million in turnover.**
  + Businesses with turnover of up to NIS 5 million, which belong to all groups of first-degree customers, and which, prior to this notice, had a negative balance, will be exempt from interest payments on negative balances in their business account up to NIS 30,000 for a period of 3 months. If the bank has this information, the exemption will be automatic. In cases where the bank does not have this information, the exemption will be subject to the presentation of documentation.
* **In reference to deferral of mortgage payments for first-degree customers:**

The option of spreading out the payments has been clarified such that beyond the options of spreading payments throughout the mortgage period or extending the mortgage period, there is now an option to provide an interest-free loan for the amount of the deferral for a period of **at least** four years, with the payments on that loan beginning one year from the end of the deferral period. This is to clarify that the bank is permitted to provide an interest-free loan for a longer period, or to choose the other alternatives, to benefit the customer and with the customer’s consent.

The expansion of the program for an additional three-month period will come into force on January 1, 2024, and requests to be included in the additional program can be submitted between January 1, 2024 and March 31, 2024.

To be clear, the program presents the **minimum conditions**, and each bank is permitted to expand it for its customers, as most of the banks have done. The Banking Supervision Department encourages them to continue to do so.

**Expansion of the comprehensive assistance program, adopted by the banks, for dealing with the ramifications of the Swords of Iron war, as of January 1, 2024**

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| **First-degree customers**  **Customer groups:**   1. **People who live or own a business within 30 km of the Gaza Strip.** 2. **People evacuated from their homes by an official entity as of November 7, 2023, and those who live in a locality that appears on the lists published on the Bank of Israel website.** 3. **Accounts of kidnapped or missing victims; people who are first-degree relatives (spouses, parents, siblings, and children) or those killed in the war or kidnapped or missing; people who participated in the Nova festival in Re’im.\*** 4. **People serving in the reserves or mobilized through emergency mobilization orders.\***   \* Information regarding belonging to this group is received in accordance with a customer’s declaration or presentation of appropriate documentation, per the bank’s decision. With regard to small businesses, in accordance with the characteristics published by the bank. | | | | |
| **Leniencies with regard to credit:** | **Type of credit** | **Payment deferral period** | **Maximum interest rate** | **How payments are spread out** |
| **Mortgages[[4]](#footnote-4)** | A customer who has deferred payments for 3 months will be eligible to defer for an additional 3 months subject to submitting a request, such that the total deferral period will be 6 months.[[5]](#footnote-5)  A customer who has not deferred payments based on the program shall be eligible for a 3-month deferral subject to submitting a request. | There will be no interest charged in respect of the deferral amount. | Mortgages  Three alternatives at the bank’s choice:   * Spread payments over the remaining mortgage period. * Extending the mortgage period. * Providing an interest-free loan for the deferred amount, for a period of at least 4 years, with repayments beginning one year after the end of the deferral.   Consumer and business credit  Adding payments at the end of the loan period. |
| **Consumer credit, cumulative up to NIS 100,000** |
| **Business credit[[6]](#footnote-6) up to NIS 2 million** |
| **Negative balance (overdraft) in a household current account, up to NIS 10,000** | 3 months | 0% interest | Clarification: The benefit is given to customers from the three groups listed above in this table only. The benefit shall apply to customers who, prior to the publication of the program, had a negative balance in their current account.[[7]](#footnote-7) |
|  | **Negative balance (overdraft) in a business current account, up to NIS 30,000** | 3 months | 0% interest | Clarification: The benefit is given to businesses with a turnover of up to NIS 5 million, which belong to any of the groups of first-degree customers, and which, prior to the publication of the expansion of the program, had a negative balance in their current account. Such businesses shall be exempt from paying interest on negative balances[[8]](#footnote-8) in the business account up to NIS 30,000, for a period of 3 months, subject to providing documentation if the information is not in the bank’s possession. |
| **Leniencies with regard to fees:[[9]](#footnote-9)** | Blanket 3-month exemption from fees in respect of transactions made by first-degree customers, other than transactions involving foreign exchange, securities, foreign trade, or diamonds (as detailed in the footnote). | | | |
| **Second-degree customers**  **All other bank customers** | | | | |
| **Leniencies in the credit field:** | **Mortgages[[10]](#footnote-10)** | * A customer who has already received a 3-month deferral shall be eligible for a further 3-month deferral subject to submitting a request, such that the total deferral period will be 5 months.[[11]](#footnote-11) * A customer who has not yet exercised his eligibility to defer payments shall be eligible for a 3-month deferral subject to submitting a request. | The contractual interest rate[[12]](#footnote-12) | Spreading payments out over the remaining loan period, or extending the loan period, at the customer’s choice.[[13]](#footnote-13) |
| **Cumulative consumer credit up to NIS 100,000** |
| **Business credit up to NIS 2 million** |
| **Fees** | Payments will be deferred without fees being charged. | | |

Clarifications:

* The program’s extension takes effect on January 1, 2024 in order to allow each bank to prepare, and will last for the period allocated in the program.
* Payment deferrals require the customer to contact the bank and submit a request in the manner set forth by the bank.
* This program does not apply to a borrower involved in legal proceedings. Borrowers who were in arrears at the time of publication of this outline will be allowed to delay payments for a period not exceeding 180 days from the date the arrears began.
* Insofar as it is possible to make a customer-initiated enquiry to the bank unnecessary in implementing the outline, including in the area of fees, this should be prioritized.
* Those serving in the reserves and those mobilized through an emergency call-up shall be eligible for benefits upon issuing supporting documentation or a customer declaration.
* This outline presents the minimum conditions, and each bank is permitted to expand upon it to benefit its customers and at their request.

1. First-degree customers: people who live or own a business located within a range of 30 km from the Gaza Strip; people evacuated from their homes by an official state agency as of November 7, 2023 and those who live in one of the localities appearing in the lists published on the [Bank of Israel website](https://www.boi.org.il/en/bank-of-israel/iron-swords/boi-outline-banks/); people serving in the military reserves and those mobilized under emergency mobilization orders; people who are first-degree relatives (spouse, parents, and children) of those killed in the war or those kidnapped or missing. [↑](#footnote-ref-1)
2. Second-degree customers: all other customers. [↑](#footnote-ref-2)
3. Mortgages of an unlimited amount; consumer credit – cumulative up to NIS 100,000; business credit up to NIS 2 million. [↑](#footnote-ref-3)
4. In relation to a first home or those upgrading their housing only. [↑](#footnote-ref-4)
5. To be clear, the program is in addition to what is set out in Section 9(h)2 of the Banking (Service to the Customer) Law, 5741–1981, and does not replace it. [↑](#footnote-ref-5)
6. Business credit of a business with turnover of up to NIS 25 million, excluding loans in commercial cooperation with a third party. Regarding business credit with a remaining term to repayment of more than 3 years, payments can be spread out in the manner set out with regard to mortgages. [↑](#footnote-ref-6)
7. Negative balance that is part of the facility approved by the bank. [↑](#footnote-ref-7)
8. Negative balance that is part of the facility approved by the bank. [↑](#footnote-ref-8)
9. The fees that appear in the following sections, with regard to the banks, in the Banking (Service to the Customer)(Fees) Rules, 5768-2008:

   Section 1 – Current Account (in its entirety)

   Section 2 – Information, notices, and warnings (in its entirety)

   Section 3 – Credit (in its entirety)

   Section 6 – Credit cards (in its entirety, excluding fees – (7) foreign exchange transactions, (8) foreign exchange withdrawals abroad, (9) foreign exchange purchases from abroad)

   Section 9 – Fees for handling estates and wills, fees for withdrawing cash (from a remote ATM and by a prepaid card). [↑](#footnote-ref-9)
10. In relation to a first home and those upgrading their housing only. [↑](#footnote-ref-10)
11. To be clear, the program is in addition to what is set out in Section 9(h)2 of the Banking (Service to the Customer) Law, 5741–1981, and does not replace it. [↑](#footnote-ref-11)
12. Deferral of payments is subject to interest for the deferral period. Therefore, before making a decision to defer payments, it is important to examine the implications of the deferral, including the economic price of the deferral (in terms of interest, monthly payment amount after the deferral, and so forth), in order to make an informed decision. [↑](#footnote-ref-12)
13. The manner of spreading out the loan is subject to technical limitations derived from the bank’s computer system and subject to supervisory restrictions. [↑](#footnote-ref-13)