

**BANK OF ISRAEL**

Office of the Spokesperson and Economic Information

November 30, 2020

Press Release:

**Questions and answers: The framework for deferring loan payments for banking system customers**

1. **What can be done under the additional framework?**

The additional framework enables customers who have been adversely impacted by the crisis, in accordance with terms detailed in the framework, to request of their bank to act in line with the additional framework, to lead to a notable decrease in monthly payments, for lengthy periods of time (mortgages up to 2 years, and consumer loans up to 3 years in accordance with the reduction in the monthly payment).

1. **What is the difference between this and current framework?**

Part of the orderly activity of the economy and the financial markets is reflected in a prolonged connection between borrower and lender, through which the borrower makes payments in respect of loans taken for various needs. This stage is very important, as it enables a household and the bank that extended the loan or mortgage, to return to a healthy process of repayment, even if partial, by spreading out payments according to the ability of the household that was adversely impacted in the crisis. This spreading out will enable those borrowers to continue to bridge over until they return to financial robustness and enhanced repayment ability when the crisis winds down.

The existing framework enables all borrowers to submit a request to defer their loan repayments, while the new framework is intended to help customers who were markedly adversely impacted by the crisis, whose loan is in a status of deferral, who had a decrease in their income of 40 percent or more, and who earn up to a net NIS 20,000. At this stage of the crisis, and in view of the many customers that have returned to repaying their loans, there is room to focus the assistance and to grant it only to customers who have been markedly adversely impacted by the crisis and are still dealing with cash flow difficulties.

1. **What should I check before deciding to defer loan payments?**

The deferral of payments is essentially a new loan, which involves costs, so before deciding to defer loan payments, it is important to carefully examine the ramifications of deferral, including its economic cost: the interest rate, and the amount of the monthly payment after the deferral. It is recommended to utilize this option only after examining its necessity and its cost.

In addition, customers who defer mortgage payments should closely examine the impact of the ramifications of the deferral on the existing (life) insurance coverage as part of the mortgage.

1. **In order to be included in the population group to whom the framework applies, 3 conditions have to be met: The loan is in a deferral status in accordance with the previous frameworks, there is an adverse impact on their income of 40 percent or more, and have net household income that does not exceed NIS 20,000. Is it sufficient to comply with one of the terms in order for the framework to apply to me, or must all the terms be met?**

The goal of the new framework is to assist a focused group of customers who have been markedly negatively impacted by the crisis and who are still dealing with cash flow difficulties due to the ramifications of the crisis. Therefore, you have to meet all the conditions together in order for you to be able to be included in the population group to whom the framework applies.

1. **If my loan is not in a status of deferral under the previous frameworks, my income has not been adversely impacted by 40 percent, and my spouse and I earn over NIS 20,000 net, can I submit a request under the terms of the framework?**

Yes, but the decision regarding the deferral request will be subject to the bank’s judgment. The Banking Supervision Department emphasized to the banking system that it is to make a considerable effort to assist customers who do not meet the terms of the additional framework and request to defer the mortgage payments and consumer loans, and to attempt to find solutions for every customer.

1. **Can requests be submitted in accordance with the existing framework or has it been cancelled?**

The existing framework, which enables customers who have not deferred the loan in the past and whose income has not been adversely impacted in accordance with the terms of the framework, to submit a request to defer the loan, remains in effect. Requests for deferral pursuant to the existing framework can be submitted until December 31, 2020, and in effect a deferral can be granted until the end of June 2021.

1. **One of the terms of the entry into the framework is a 40 percent adverse impact to income, how can you examine the manner of adverse impact on income?**

Examining the manner of adverse impact on income is subject to the judgment of the bank, which can ask the customer to show relevant documents that will present the adverse impact on income due to the crisis.

1. **Until when can a request for deferral of loan payments be submitted to the bank?**

The period for submitting the request to defer loan payments under the additional framework will be January 1, 2021—March 31, 2021. The additional framework will go into effect on a date from January 1, 2021 until March 31, 2021 at the latest, due to the need for the required preparation of the banks’ computer systems required for implementing the framework.

1. **Is the bank obligated to approve the request to defer the loan payments?**

For mortgages, there are two options for deferral, in accordance with limitations of the banks’ computer systems. It should be noted that the bank’s judgment does not enter the consideration of whether or not to agree to the deferral:

**Alternative A:** Reducing the monthly payment by about 25%, 50%, 75% (The rate of reduction is up to the customer.)

**Alternative B:** Deferring the principal component in a manner that leads to a reduction in the monthly payment of 40% to 75% (The rate of reduction will be a product of the specific loan characteristics, among other things the composition of the loan, age of the loan, and the term to final repayment.)

For consumer loans of up to NIS 100,000, extending the term is derived from the reduction of the monthly payment by at least 50 percent, provided that it does not reach more than 3 additional years

1. **Is there a fee for the loan payment deferral?**

Deferring the loan payments does not involve a fee but there are additional costs to deferral that should be examined before deciding.

1. **What can be done if the bank declined to defer my request to defer payments, even though it appears that I meet the terms of the framework?**

You can contact the ombudsman at the bank from which the loan was taken, and if the customer has comments on the response received, the Public Enquiries Unit at the Banking Supervision Department can be contacted.